



THE AVIATION INDUSTRY

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IMPORTANCE

The aviation industry encompasses almost all aspects of air travel and the activities that help to facilitate it.

The aviation sector currently contributes **\$72 billion** to GDP.

The rise in demand for air travel has necessitated the development of a robust eco-system and supportive government policies.



FACTORS AFFECTING DEMAND

The income can shift demand curve. If the passengers have the high income, obviously they will be able to get the tickets more.

A change in price of fuel shifts the demand curve to the left. Since the fuel price and airline transportation are complements to each other, increase in fuel price decreases the demand for flights.

When the exchange rate is high, tourists are willing to travel more, thus, quantity demanded of airline tickets will be increased. In contrast, the depreciation of domestic currencies make tourists consider whether they should travel or not.

FACTORS AFFECTING SUPPLY

Input price is the essential variable to shift the supply curve. Since jet fuel costs comprise a significant component of airline operating cost, its price affects the number of flights.

The airline industry supply side factor includes factors such as frequency of service, availability of seat, time of departure and arrival and number of in-transit stops.

One major factor that affects the supply is the weather. Bad weather leads to disruption in air travel and can cause short-term decrease in supply.

To augment the airport infrastructure the government aims to develop **100 airports** by 2024 and expects to invest **\$1.83 bn** in the development of airport infrastructure by 2026. The projected upsurge in air travel would require more aircraft usage thus, in turn, igniting the demand for Maintenance, Repair & Overhaul (MRO) services. The Indian civil Aviation MRO market, at present, stands at around **\$900mn** and is anticipated to grow to **\$4.33 bn** by 2025 increasing at a CAGR of about **14-15%**.



नागर विमानन मंत्रालय
MINISTRY OF
CIVIL AVIATION



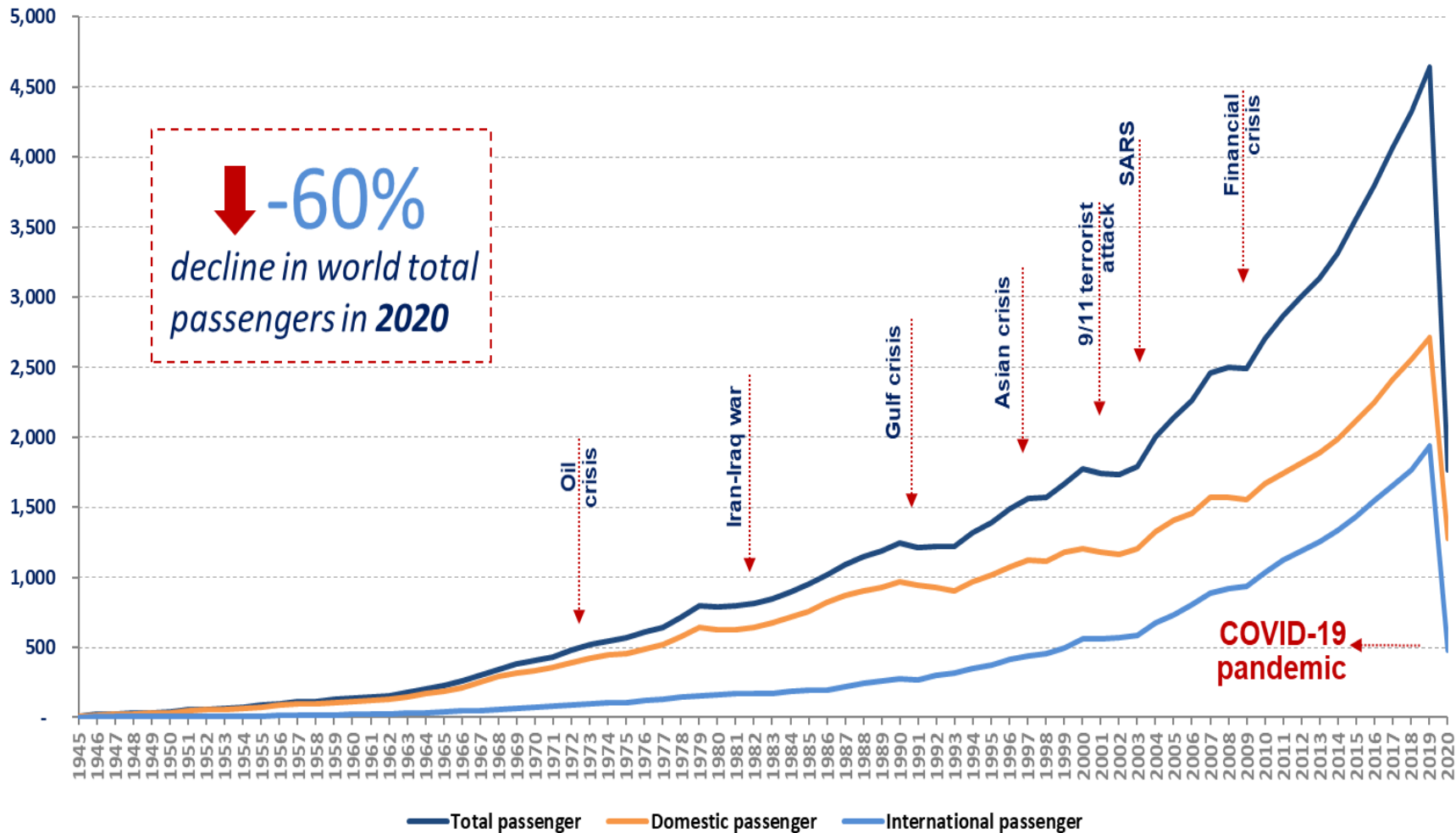
While the budgetary allocation to the Armed Forces in the last decade and a half has varied between **2.27 per cent** to **3.37 per cent** of GDP, of the total allocation to defense, only around **0.6 per cent** to **0.8 per cent** of GDP has been the share of the IAF.

The Indian military aviation market will continue to be huge in the coming decades. For the IAF alone, it would be **around \$ 150 billion**, while the Army and Navy would have their own detailed plans to bolster their respective air arms.



Number of Passengers Carried

(million)



The aviation market was valued at **\$169.72 billion** in 2020. The market is projected to reach about **\$303 billion** by 2026, with a CAGR of over **7.6%** during the forecast period (2021 - 2026).

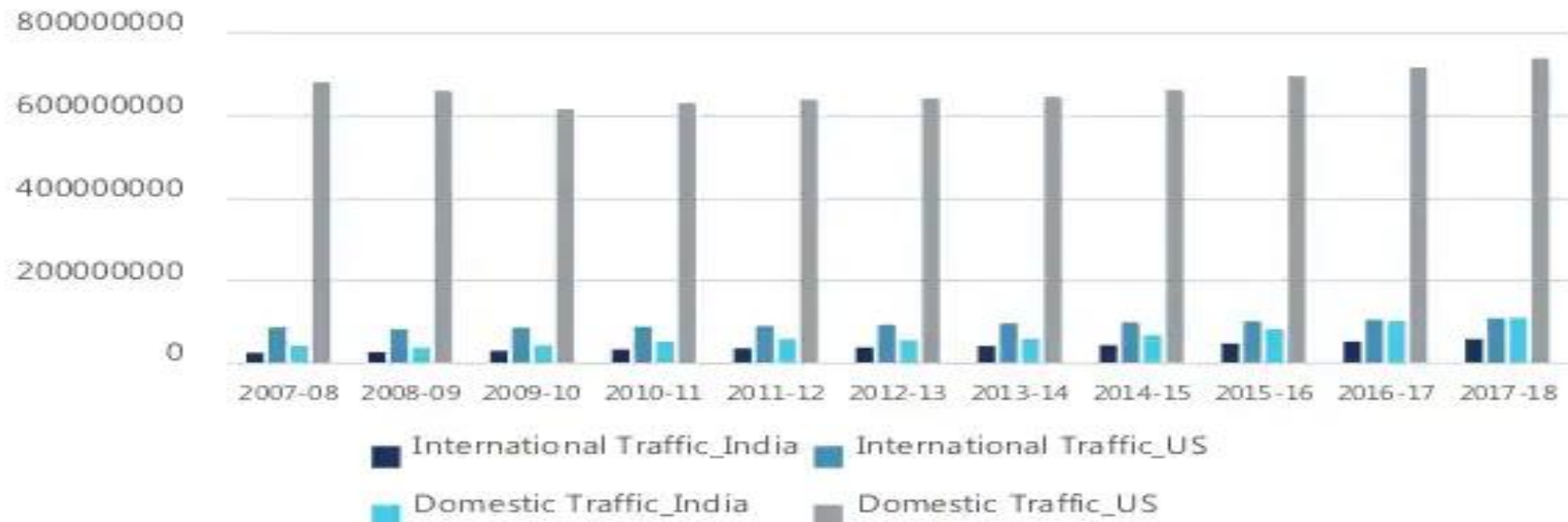
In the commercial sector, passenger traffic plummeted drastically in 2020, and it is expected to take 2-3 years to recover completely.



PASSENGER DATA STATISTICS



Passenger Data Statistics of India and U.S. Aviation Sector



Source: DGCA, BTS, FAA, IbeF

THE FUTURE

India's aviation industry is expected to witness **US\$ 4.99 billion** investment in the next four years. The Indian Government is planning to invest **US\$ 1.83 billion** for development of airport infrastructure along with aviation navigation services by 2026.



Jet Airways



WHAT HAPPENED?

The bad luck began back in 2006, when they purchased Air Sahara with an investment of **\$500 million**.

One of the core reasons for Jet Airways failing is the chairman's management style. He made bad investment decisions, and fired close to **2,000 employees** at a time which brought visible protests.



WHEN WILL JET AIRWAYS RETURN?



On a day when the company's revival plan was approved by the National Companies Law Tribunal (NCLT), a top consultant working on the airline also said that its new routes will be decided within the next 90 days.

The carrier is unlikely to start with a 120-aircraft crew from day one.

As it picks up and adds more aircraft to its fleet, it will require trained manpower, it will require ground handlers and pilots and crew. So they will be adding people as they move along.

Just like Jet's first innings, the second incarnation of the airline's hubs will remain in Delhi, Mumbai, and Bengaluru. There will also be smaller hubs in tier two and tier three cities.

The consortium also plans to increase Jet's footprint in the air cargo business, which they think is a market "currently underserved by any Indian carrier."

The new owners had offered **\$53.5 million** as startup capital, with another **\$87 million** in the first year of operation.



WHAT PROBLEMS MIGHT JET FACE?

Now, the main obstacle to turbulence-free flight for Jet Airways is the allotment of flight slots. Rivals like Air India, IndiGo, and SpiceJet have taken over these slots since Jet's grounding.





Before its grounding, the carrier had around **700 time slots**, allowing it to land and take off from some of the busiest airports in India, including New Delhi and Mumbai. But the situation could change, experts say.

Meanwhile, the market has already given a thumbs-up to the Jet Airways revival plan. After the NCLT approval, the share price of the airline locked in **5% upper circuit** on June 22.

THANK YOU!

