



Demand strong; IndiGo loses market share in Oct'23

- In Oct'23, Domestic air passenger (PAX) growth increased 11% YoY to 12.6m (growth of ~3% MoM). This strong growth trend continued in Oct'23 with domestic air travel numbers consistently surpassing pre-Covid levels. Notably, Air India and SpiceJet witnessed strong MoM passenger growth, while other carriers saw a marginal uptick in the number of passengers served during the month.
- However, Passenger Load Factor (PLF) decreased MoM for various airlines, except for Air India and Air Asia. However, the average domestic OTP was the same MoM at 81.7%. On Time Performance (OTP) increased for airlines and the domestic average was at 77.8% in Oct'23. Cancellation rate also came down in the month to 0.19%, the lowest in six months.
- IndiGo's market share surged to over 60%, following the collapse of GoFirst in May'23. However, in Oct'23, it experienced a dip in market share for the first time in nearly a year. In 2Q, IndiGo had around mid-40s grounded aircraft, and anticipates an additional 35 aircraft being grounded from 4QFY24 due to recalls by P&W, attributed to various issues, including concerns related to powder metal.

India's domestic air PAX and market share

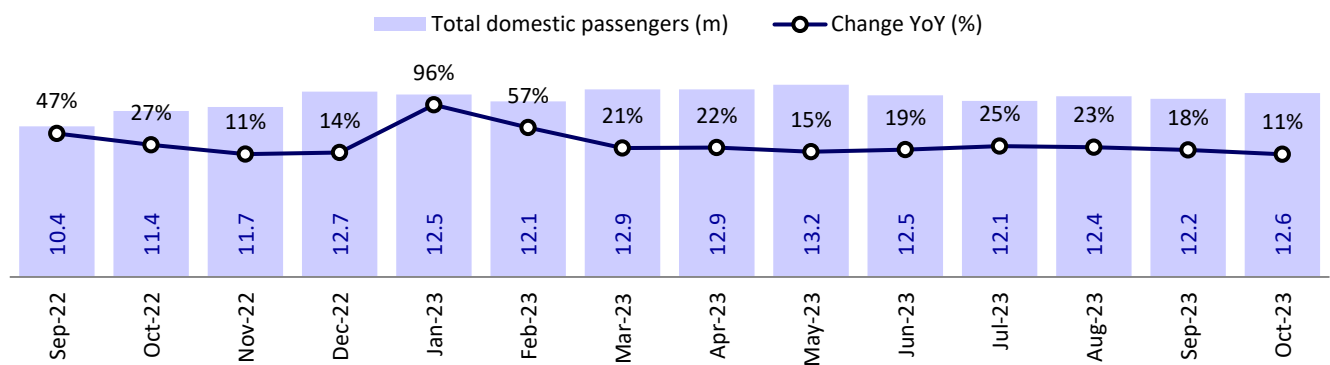
- India's domestic air PAX increased ~11% YoY at 12.6m in Oct'23 (vs. ~18% YoY in Sep'23 and ~27% YoY in Oct'22). Demand remained healthy, buoyed by the festive demand.
- According to ICRA, the increased occupancy in other airlines and the introduction of new routes have largely offset the impact of GoFirst's bankruptcy on overall passenger traffic since May'23.
- IndiGo's PAX stood at 7.91m (up 22% YoY) and Air India group at 3.52m (up 14% YoY). The same for Akasa stood at 0.53m (up ~3x YoY) and domestic PAX for SpiceJet was 0.63m (down 24% YoY).
- Domestic market share for IndiGo stood at 62.6% in the month (up 585bp YoY) with the same for Air India group at 27.9% (up 68bp YoY). Akasa's market share stood at 4.2% (up 274bp YoY) with the same for SpiceJet at 5% (down 230bp YoY).

Domestic industry's PLF and OTP

- Domestic PLF stood at 81.7% in Oct'23 (down 151bp YoY, no change MoM).
- IndiGo's PLF stood at 83.3% (up 120bp YoY) and Air India group at 86% (up 190bp YoY). The same for Akasa stood at 86.6% in Oct'23 (up 910bp YoY) and for SpiceJet stood at 90.1% (up 200bp YoY).
- Average OTP for domestic airlines at the top 4 airports was 77.8% (down 310bp YoY, up ~13pp MoM).
- IndiGo's OTP stood at 88.5% (up 100bp YoY), Air India group at 78.8% (down ~11pp YoY). The same for Akasa stood at 86.6% in Oct'23 and for SpiceJet stood at 58.1% (down ~11bp YoY).

Other highlights

- Air Turbine Fuel (ATF) prices for Oct'23 stood at INR118,199/klit (up 5% MoM). The same for the quarter stood at INR100,595/klit (up 6% QoQ). Brent crude was at ~USD91.1/bbl in the month and is at USD88.2/bbl in 3QFY24'td.
- Consequently, IndiGo announced the imposition of a fuel surcharge in the range of INR300-1,000 on airfares. ATF price accounts for 40% of the ticket price. The management confirmed that the surcharge is here to stay.
- Airlines had previously imposed a fuel surcharge in CY18, which was gradually phased out as fuel prices decreased. Additionally, the depreciation of the INR against the USD, compared to pre-covid levels, has adversely impacted the cost structure of airlines.

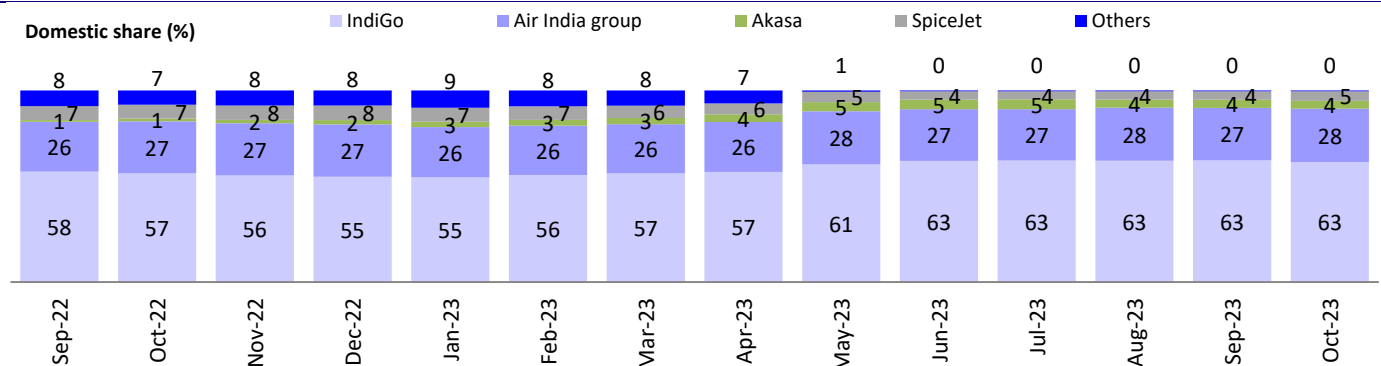
Exhibit 1: Domestic PAX saw growth of ~11% YoY and ~3% MoM to 12.6m in Oct'23

Source: DGCA, MOFSL

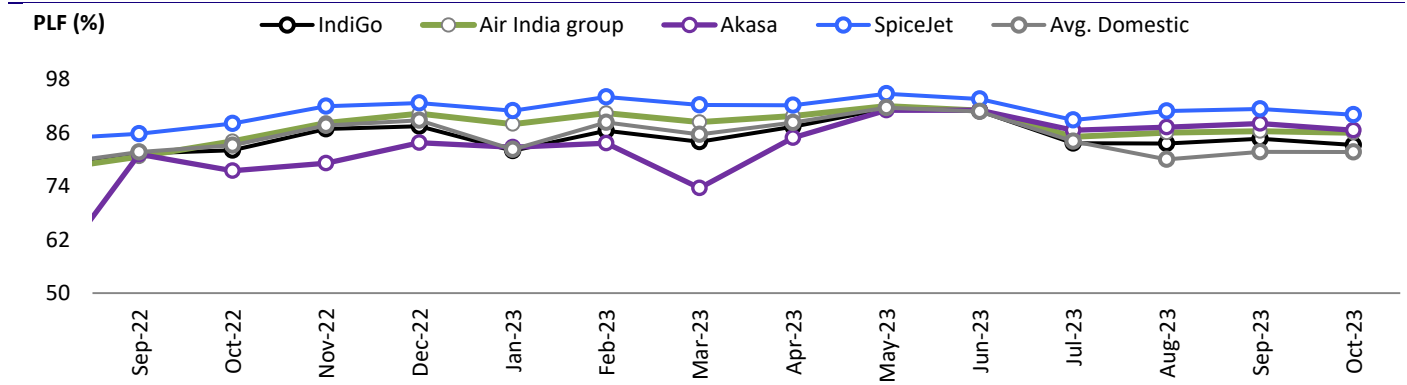
Exhibit 2: Historical domestic passenger trend (m)

Total Domestic Passengers (m)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	12.5	11.3	11.6	11.0	12.2	12.0	11.9	11.8	11.5	12.3	12.9	13.0
2020	12.7	12.3	7.7	-	0.3	2.0	2.1	2.8	3.9	5.3	6.3	7.3
2021	7.7	7.8	7.8	5.7	2.1	3.1	5.0	6.7	7.1	9.0	10.5	11.2
2022	6.4	7.6	10.0	10.4	11.4	10.7	9.1	10.1	10.3	11.4	11.7	12.9
2023	12.5	11.9	13.0	12.0	13.2	12.5	12.2	12.5	12.3	12.6	6.3	NA

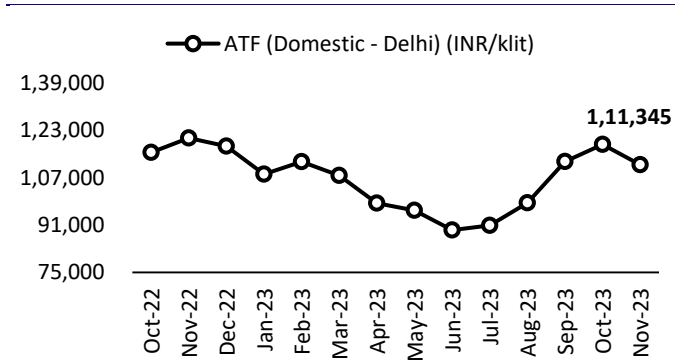
Source: MoCA, MOFSL

Exhibit 3: IndiGo's market share declined 87bp to 62.6%, while the same for Air India group increased 40bp 27.9%

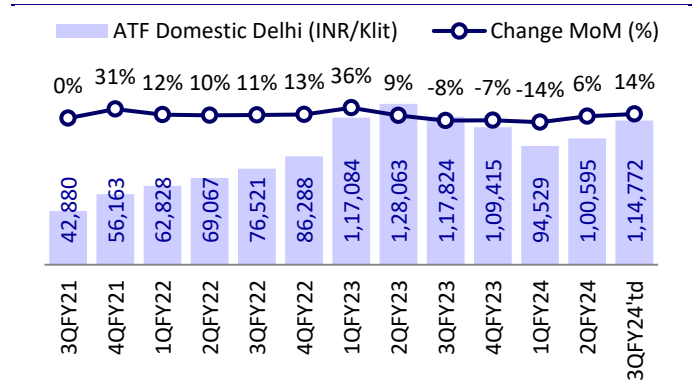
Source: DGCA, MOFSL

Exhibit 4: OTPs declined for Indian airlines in the month of Oct'23

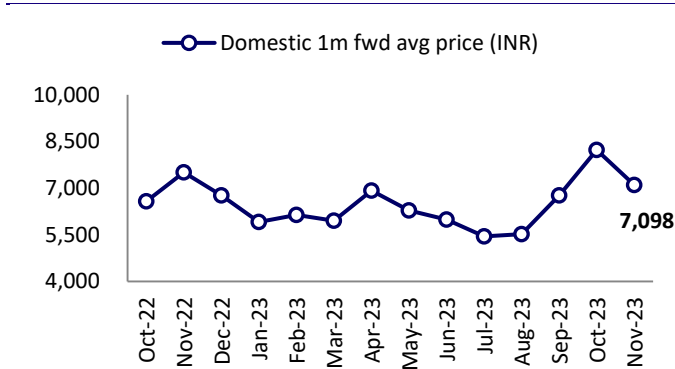
Source: DGCA, MOFSL

Exhibit 5: Decline in ATF prices was seen MoM...

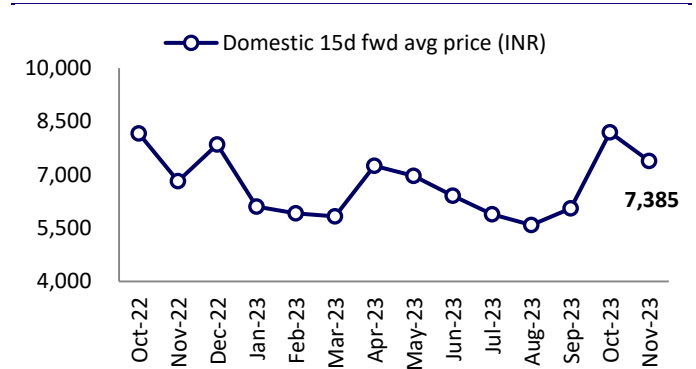
Source: HPCL, MOFSL

Exhibit 6: ...with the same increasing 14% QoQ in 3QFY24

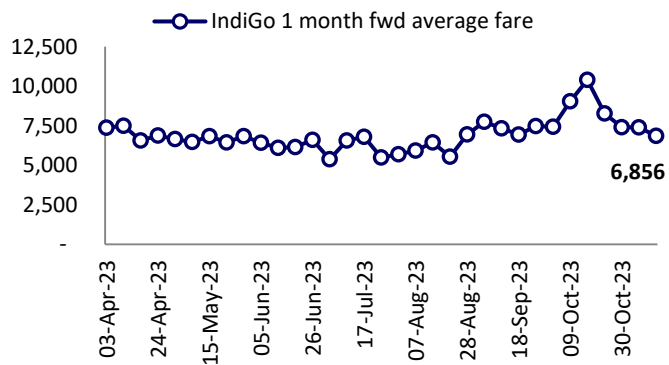
Source: HPCL, MOFSL

Exhibit 7: Domestic fares on 1-month forward basis

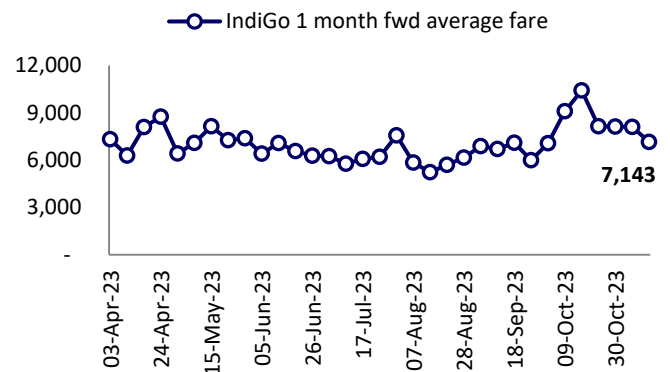
Source: MakeMyTrip, MOFSL

Exhibit 8: Domestic fares on 15-day forward basis

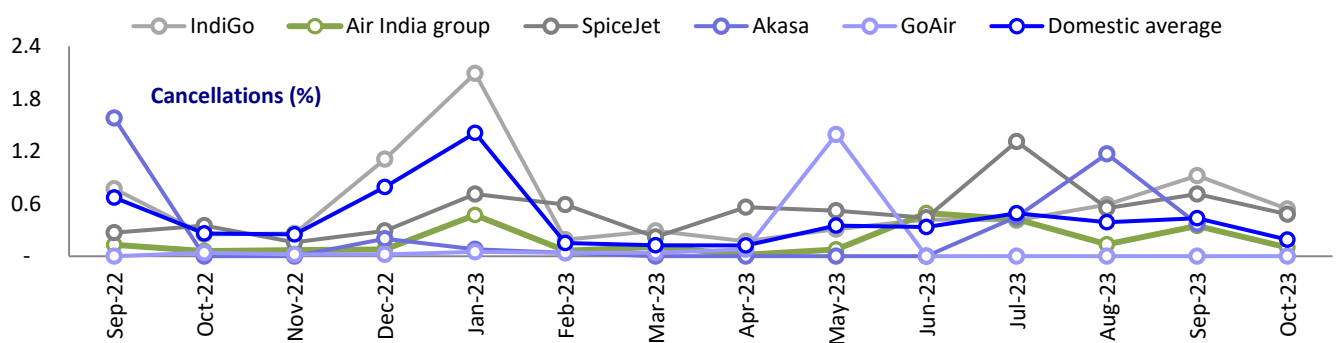
Source: MakeMyTrip, MOFSL

Exhibit 9: IndiGo fares on 1-month forward basis

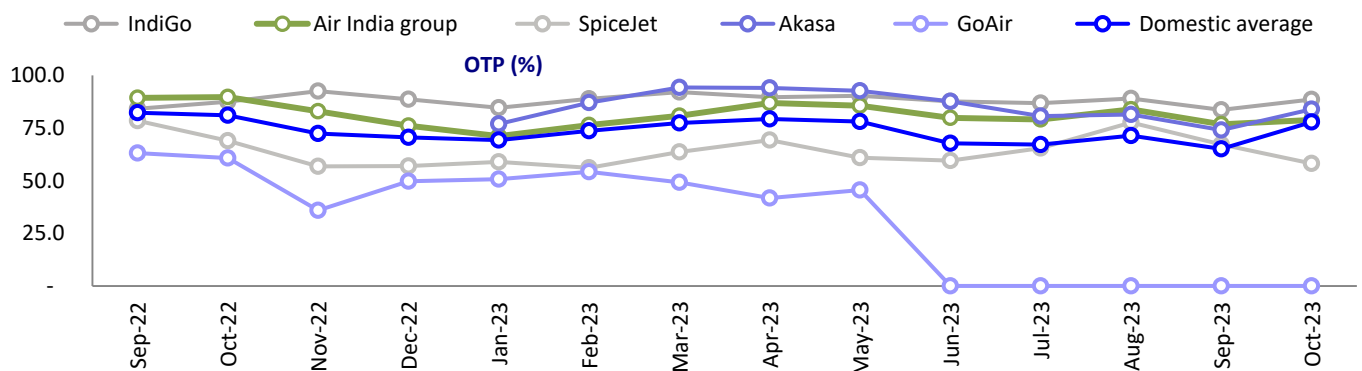
Source: MakeMyTrip, MOFSL

Exhibit 10: IndiGo fares on 15-day forward basis

Source: MakeMyTrip, MOFSL

Exhibit 11: Percentage of cancellations declined MoM for airlines in Oct'23

Source: DGCA, MOFSL

Exhibit 12: OTP increase MoM for airlines at the top 4 metro airports

Source: DGCA, MOFSL

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