

Olympus: Janus

Round 2

Airline Industry: An Overview

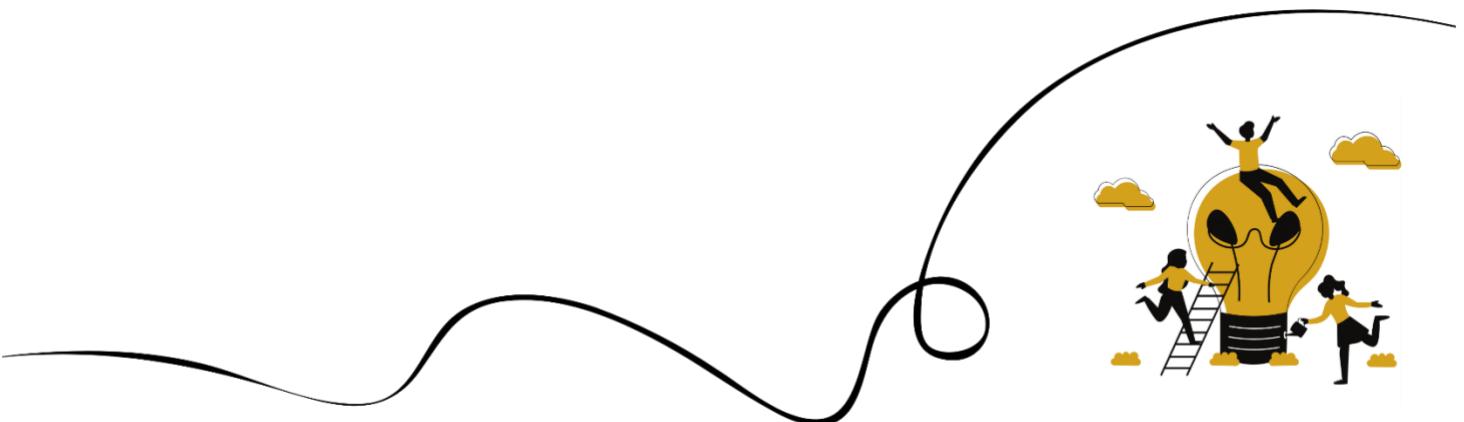
In the last three years, India's civil aviation industry has become one of the country's fastest expanding industries. Recently, India became the third-largest domestic aviation market in the world and is expected to overtake the US and China to become the world's third-largest air passenger market by 2030.

Currently, there are **128 operational airports** in the country, including **29 international, 89 domestic, and 10 customs airports**. Increased airport infrastructure capacity is necessary to accommodate India's growing demand for air travel. The government plans to **build 100 airports by 2024** (as part of the UDAN Scheme) and **invest \$1.83 billion in airport infrastructure development by 2026**.

IndiGo is the leader in the Indian aviation industry with a current **market cap of Rs 49,923.47 Cr**. The company trades on Indian stock exchanges with the **latest share price of Rs 1,364.95 per share**. The projected upsurge in air travel in India 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 \$900 Mn and is anticipated to grow to \$4.33 Bn by 2025 increasing at a CAGR of about 14-15%.

Impact of COVID-19 Pandemic

The civil aviation industry, unfortunately, was one of the worst-hit in the midst of the pandemic. According to the Centre for Asia Pacific Aviation (CAPA), the sector is at a breaking point with domestic traffic declining by over 60% and international traffic by 70-80% in FY21. The take-off of the Indian Airline industry has been delayed unfortunately due to COVID-19. Industry experts at CAPA expect the Indian aviation industry to shrink to 2-3 players if it does not receive additional funding. This according to them would result in sustained damage in connectivity throughout India.



About Indigo

In the year of 2006, a low-cost airline *IndiGo* was founded in India by Mr. Rahul Bhatia of InterGlobe Enterprises and Mr. Rakesh Gangwal of Caelum Investments. India had an infamous reputation of being airlines' graveyard, where an operator's fortune was much dependent on how well versed the promoters were in the art of managing the powers.

The founders had diverse set of personalities, Rahul was an outgoing person with a vision in his mind, had an exceptional sense of backend commercial arithmetic and Indian regulatory environment; Rakesh was a reticent person who preferred to go about his task quietly, he also knew the dynamics of running an airline coming from his experience of steering the US Airways during turbulent times. Rakesh also had special abilities in the form of extracting margins from tight situations and had exceptional negotiation skills which tremendously helped the airlines in the further years. They managed to bring their respective strengths together and built the airline from scratch with a shared dream of rewriting the script of Indian aviation.

Rahul and Rakesh shared common professional values and wanted to script a success story based on ethics, integrity and sound business principles. They went about their task in a most dignified manner sans any form of shady deals, dubious means or corruption. Together, they conceived, shaped and implemented a plan of building a low-cost carrier through unique and innovative approaches. They also ensured no compromise on quality and safety of service and currently boast of being the only profitable Indian airline along with a high on-time performance.

Fast forward to current times, *IndiGo* has grown from a carrier with one plane to a fleet of 276 aircraft today including 124 new generation A320 NEOs, 80 A320 CEOs, 29 ATRs and 41 A321 NEO. The carrier operates 1500 flights a day connecting 95 destinations – 71 domestic and 24 international. A uniform fleet for each type of operation, high operational reliability and an award-winning service makes *IndiGo* one of the most reliable airlines in the world. Operating in India's domestic air travel market as a low-cost carrier with focus on the three main pillars - offering low fares, being on-time and delivering a courteous and hassle-free experience - has enabled Indigo to attain a market share of 53.5% along with the distinction of being the only profitable airline in the industry for 10 long years in the present time.

Deliverables

As Senior Managers of *IndiGo* airlines, you are required to prepare a 5 year business plan which needs to be presented to the management board. The plan must include but not be restricted to the following:

1. Amid the Omicron-variant threat - as IndiGo continues to recover from the impact of COVID-19 - provide an industry outlook of the Indian aviation sector and a forecast for the upcoming 5 years, recognising upcoming trends that IndiGo could leverage.
2. Evaluate the current business model of IndiGo, identifying problems associated with it and recommending solutions for the same.
3. Roadmap and vision for IndiGo for the next 5 years with an associated risk mitigation plan.

Rules for submission

All participants are supposed to adhere to the limit of **maximum 3-slides** for submission (excluding annexures and cover page). The file size should not exceed 25 MB.

1. Any assumptions taken must be specified in the annexures.
2. The final deadline of submission will be mentioned on the D2C platform.
3. For any queries, contact
 - a **Saksham Jain: +91 9958236132**
 - b **Gursimran Kaur Nirula: +91 8317494514**
4. Naming convention for submission video – TEAM NAME_INSTITUTE NAME
5. The decision of the organizers is final and binding.

