

Air passenger traffic to grow by 12-14% in 2017-18

Projects worth Rs.54.9 billion to get completed in air transport infrastructure industry in 2017-18

Total air passenger traffic rose by 13.5 per cent to 23.2 million passengers in April 2017. This growth was supported by a 14.9 per cent rise in the domestic passenger traffic. For the whole year, we believe that the passenger traffic will grow in the range of 12-14 per cent. Increase in disposable income of the consumers along with low fares due to extensive competition will aid the growth.

India is expected to become the third largest aviation market by 2020. This will necessitate strengthening of airport infrastructure in the country. For this, the government is investing extensively towards construction and upgradation of airport infrastructure. Thus, the industry is expected to witness healthy investments in the coming years. Projects worth Rs.54.9 billion are expected to get commissioned in the current financial year. The industry is also expected to add 52 aircrafts in 2017-18. Of these, two aircrafts got inducted by Vistara and GoAir. Going ahead, projects worth Rs.40.9 billion are likely to get completed along with induction of 194 aircrafts in 2018-19.

On the financial front, net sales of the air transport services industry rose by 9.9 per cent y-o-y during the March 2017 quarter. This was supported by a 16 per cent rise in passenger traffic due to low fares and higher disposable income. Revenues of Interglobe Aviation and SpiceJet increased by 18.5 per cent and 10.2 per cent, respectively. On the other hand, Jet Airways' sales grew by a modest 3.1 per cent during the quarter.

Despite an increase in sales, the industry's operating performance was poor. The industry's operating expenses rose by 23.7 per cent. This was on the back of a 38 per cent rise in the ATF prices and increase in the capacities of the airlines. As a result, the operating profit plunged by 60.7 per cent. Operating margin contracted by 10.5 percentage points to 5.9 per cent.

The industry's post-operating expenses fell by 28.8 per cent and other income rose by 64.5 per cent. However, poor operating performance of the industry led to a 48 per cent decline in the net profit. Net margin contracted by 480 basis points to 4.2 per cent.