

# Aviation

## Sept-23 metrics: Tata in consolidation mode; Indigo leads

Sector Report ▶ SECTOR-SPECIFIC MONTHLY NOTES ▶ October 15, 2023

NIFTY 50: 19,751

### Domestic pax growth steady; Indigo maintains formidable market share

India's domestic air traffic grew 18% YoY to 12.2mn in Sep-23, while daily trends in Oct-23 indicate traffic growth of ~13% YoY. Volumes are expected to inch upward in Q3FY24E, driven by seasonal festive trends. Our long-term Indian-passenger CAGR of 12% during FY24-30E remains on track. Indigo retained its lion's share in the Indian skies in Q2 with 63.4% market share. Tata Group's overall market share rose by 60bps QoQ in to 26.3% in Q2, while SpiceJet lost 90bps and Akasa's share marginally declined to 4.5% as its growth plans slowed down due to cancellations.

### Marginal change in load factors; Indigo leads in OTP as well as in cancellations

Passenger Load Factors (PLFs) slightly improved across key airlines, with Indigo recording the highest monthly gains among peers, at 110bps, resulting in Sep-23/Q2 PLF at 84.7%/84.0%. Vistara topped the PLFs chart in Sep-23 at 92%, up by 70bps MoM, while Akasa's PLF rose by 80bps MoM to 88.1%. SpiceJet/Air India/AirAsia's PLFs improved by 50/20/10bps MoM to 91.4/84.7/82.5%, respectively, in Sep-23. Indigo witnessed the highest cancellation rate (of 0.92%) among key airlines in Sep-23, possibly due to weather conditions, while its OTP performance was resilient at 83.6%. AirAsia/Air India/Vistara's Sep-23 OTP performance stood at 81.6/74.4/74.3%, respectively.

### Fuel costs to cool down; yields on healthy trajectory in Q3

PSU OMCs have hiked domestic ATF price by 5% MoM for Oct-23, due to rise in crude prices as well as in jet fuel spreads. Brent is trading slightly lower at ~USD90/bbl, while spreads have corrected ~20% from the recent highs, indicating a ~3% MoM cut for Nov-23. For Indigo, a 5% higher ATF price leads to ~Rs28/share EPS loss, *ceteris paribus*. We estimate current yields to be better than their Q2 levels, while the recent introduction of fuel charge under a separate head in the fare lends support in an elevated fuel cost environment.

### Snapshot – Sep-23

Parameters	Sep-23	Sep-22	YoY	Aug-23	MoM	YTD-Sep-23	YTD-Sep-22	YoY
Domestic Pax (mn)	12.2	10.4	18.3%	12.4	-1.4%	75.4	62.7	20.2%
Avg daily pax (mn)	0.41	0.35	18.3%	0.40	1.9%	0.41	0.34	20.2%
<b>Pax Mkt share (%)</b>								
Indigo	63	58	570bps	63	10bps	62	57	490bps
Tata Group	27	25	180bps	27	-20bps	26	23	310bps
SpiceJet	4	7	-290bps	4	0bps	5	9	-400bps
Akasa	4	1	330bps	4	0bps	5	0	440bps
Others	1	9	-790bps	1	10bps	3	11	-840bps
<b>PLF (%)</b>								
Indigo	84.7	81.4	330bps	83.6	110bps	87.0	79.6	740bps
Tata Group								
- Air India	84.7	79.6	510bps	84.5	20bps	86.6	76.6	1000bps
- Vistara	92.0	85.4	660bps	91.3	70bps	91.5	84.3	720bps
- AirAsia	82.5	77.0	550bps	82.4	10bps	86.9	77.0	990bps
SpiceJet	91.4	85.8	560bps	90.9	50bps	92.0	85.7	630bps
Akasa	88.1	81.2	690bps	87.3	80bps	88.2	67.1	2110bps

Source: DGCA, Emkay Research

### Sabri Hazarika

sabri.hazarika@emkayglobal.com  
+91 22 6612 1282

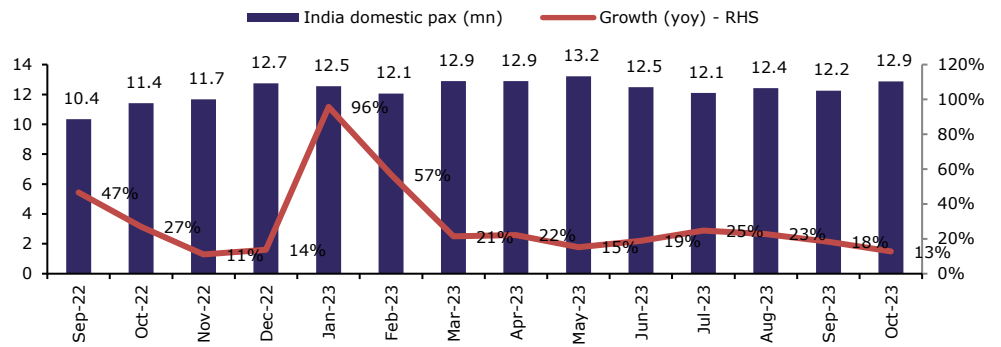
### Harsh Maru

harsh.maru@emkayglobal.com  
+91 22 6612 1336

### Arya Patel

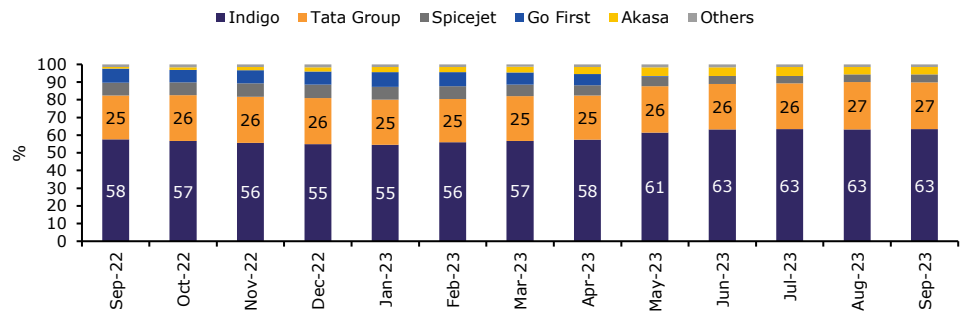
arya.patel@emkayglobal.com  
+91 22 6612 1285

**Exhibit 1: Indian domestic pax growth steady at 18% YoY in Sep-23; Oct-23 trend largely in-line**



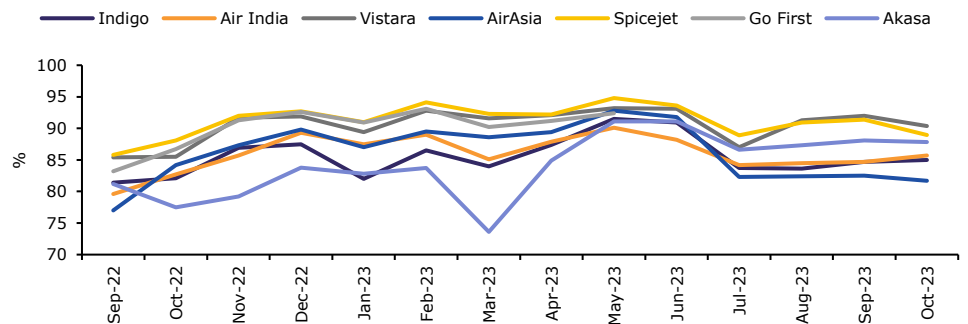
Source: DGCA, Emkay Research; Oct-23 includes daily average till 13-Oct-2023

**Exhibit 2: Indigo's pax market share steady in Aug-23**



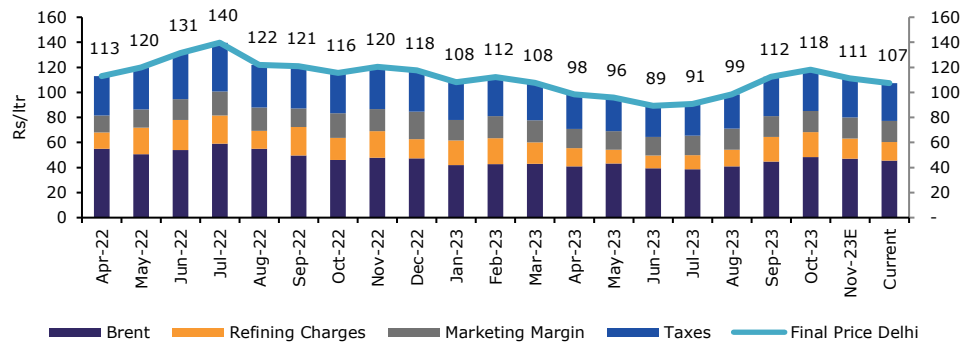
Source: DGCA, Emkay Research

**Exhibit 3: Monthly PLF trends across airlines**



Source: DGCA, Emkay Research; Oct-23 includes daily average till 13-Oct-2023

**Exhibit 4: ATF price trend**



Source: IOCL, Bloomberg, Emkay Research

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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