

Something has Changed for the Indian Aviation for the Better

Dipan Mehta, Member of BSE & NSE, comments on Indian Aviation sector.

*My sense is that at least for first half 2016 aviation will remain in focus and will be a lot of interest to investors. It is not just that the crude oil prices are benefiting these airlines companies. There is real growth as far as passenger traffic is concerned.



*If you watch the monthly numbers they are solidly in the high teens in some months it has crossed 20 percent also. With this kind of a growth rate coming through it is kind of a perfect scenario for the aviation sector where you have topline growing because of more and more passenger flow that needs to better utilisation of assets and costs are kept under check because of lower crude oil prices which is the biggest cost element.

*These companies had an absolute dismal track record in the past.

*Something has changed for the aviation for the better and for the long-term as well.



*Because even if the oil prices were to go back to USD 40-50 these companies would be in a position to easily pass on the cost increases and underlying there is very decent volume growth.

*Lot of the airline companies will also benefit from the international operations which are yet to pick up and there are some traction waiting over there as well. So, that is one sector which we are quite optimistic and positive on and investors could gradually increase their exposure over there.

“We and our clients are invested in both Jet Airways as well as Interglobe Aviation.”

While 2015 was a dream run for some airline companies, it was an indifferent year for others. One cheerful development that was positive to all airline companies was the decrease in fuel prices, which accounts for 35-40 % of an airline operating costs. With crude oil price dipping to a 4-year low, airlines were able to offer much lower airfares resulting in increase of sale volumes. This boosted the profits of Indigo, Spicejet and GoAir and reduced the losses of Air India and Jet Airways. Now, with crude oil price being reduced to an 11-year-low, airlines step into the new year 2016 with not just a smile, but also a hope in their hearts these prices stay low.



(See Few Highs and several Lows) If the revival of an airline and return to profitability of some others marked the highlights in 2015 in Indian aviation, the year also went by without the government spelling out its long-awaited policy for the sector. The civil aviation ministry did manage in the last 19 months to come up with a draft national civil aviation policy (NCAP) which, nonetheless, has some far-reaching implications. One crucial area of attention has been "Infrastructure".

The Union government seems keen to develop aviation infrastructure keeping in pace with the growth of Indian Aviation.

The Civil Aviation Ministry has given clearance for 4 greenfield airports. 3 in Andhra Pradesh likely to be no-frills ones and one at Dholera, Gujarat. Dholera airport, which would be developed in 3,525 acres owned by the state government, is expected to have two runways and the terminal building will have a capacity for 1,200 domestic and international passengers. About 100 km from Ahmedabad, Dholera is expected to reduce air traffic load at the existing Ahmedabad airport, which has no space for expansion of terminal and construction of the second runway. In 2014-15, Ahmedabad airport handled 5.05 million passengers, including 1.22 million international travellers. By 2023-24, the volume of passengers at Ahmedabad is estimated to go up to 6.77 million.



Civil Aviation Secretary Rajiv Nayan Choubey said the Rs. 1,378 crore international airport at Dholera is expected to reduce the air traffic load at the existing Ahmedabad airport and already has obtained environmental clearance from Environment Ministry.

(See Greenfield) Choubey added that the site clearance, which is the first clearance, was given for the Bhogapuram airport in Andhra Pradesh which is about 40 kilometres from Visakhapatnam.

The Ministry has also given its go-ahead for development of a greenfield airport in Nellore and Kurnool districts under a public-private partnership.



The GMR-run Rajiv Gandhi International Airport at Shamsabad near Hyderabad and GVK-Group run Kempegowda International Airport in Bengaluru are greenfield airports.

**Indigo in 100 Aircraft Club;
Spicejet in 150 Aircraft
League!!**

Indigo is now in 100 Aircraft club. (See 100)



Spicejet does not want to lag behind.

See also : Spicejet is the world's best performing airline stock.

SpiceJet is believed to be looking to order close to 150 new aircraft. It is looking at raising money for its ambitious fleet expansion plans.

Currently, SpiceJet has some 41 planes in its fleet

25 Boeing 737s,

14 Bombardier Q400s and

2 leased Airbus 320



Remaining profitable for the 3rd consecutive quarter, SpiceJet last month posted a net profit of Rs 23.77 crore due to steep fall in fuel costs and other expenses. The carrier now has the original promoter Ajay Singh at the helm. He was speaking to the reporters after the company's annual general meeting.



Spicejet Promoter Ajay Singh

- that the company has done “exceedingly well” in the past two quarters,
- that performance shall continue.
- 2016 would be a positive year for the domestic aviation sector, provided fuel prices remain soft and the market would be stimulated with lower fares.
- the response to RFP (Request for Proposal) for new aircraft is being evaluated,
- we will take the best decision in the interest of the company
- we hope that we can do it in this financial year
- It is important to get it right. It is not important whether you do it in one or two months.
- we need to find the cheapest way of financing SpiceJet. This time, I don't think equity dilution is the best way to do it. We will look at other options.



- It looks like the oil prices are going to remain benign for the next two or three quarters; the airline will try to reduce other costs so that it is insulated from the impact of a potential rise in oil prices in times to come.
- we continue to focus on increasing our sources of revenue.. We just need to behave sensibly
- these orders will stay with SpiceJet for 10-15 years and we must put our best foot forward and make sure we buy these

planes in an optimal manner.

With Spicejet sounding so up beat, aviation in India is indeed looking up. (See Stars shining)

Indigo Joins 100 Aircraft Club

India's LCC Indigo inducted its 100th Airbus A320 aircraft 'VT-IDR' into its fleet making it the third domestic airline to have as many planes. Earlier, Air India and Jet Airways had over 100 planes in their fleet.



Flying High

“IndiGo celebrates a significant milestone taking its fleet size to a 100 Airbus A320 aircraft. IndiGo took delivery of the 'VT-IDR' aircraft to join its ever growing fleet on 23rd December, 2015. The aircraft puja was done today, 24th December 2015, at Terminal 1D Delhi,” the airline said in a statement.

Expressing happiness at the development, Indigo president Aditya Ghosh said: “Ten years ago we had dreamt of one day being a part of 100 aircraft airline. Our sincere gratitude to



Indigo president Aditya Ghosh

over a hundred million customers who have chosen IndiGo and are the reason for us to have reached this milestone.”

Indigo flies 653 daily flights connecting 39 domestic and 5 international destinations.

See also : Indigo Leaves its Passengers in Lurch

InterGlobe Aviation Ltd shares has gained as much as 38% ever since its listing.

In general aviation stocks are presently trading at levels higher than expectations. On December 24, 2015, Interglobe Aviation closed at Rs 1164.25. Its 52-week high/low have been Rs 1234.00/765.00.

Valuations as in December 2015 –



Indigo rescues quake hit Nepal

Indigo – Rs 39,188.77 crore,
SpiceJet – Rs 3,735 crore and
Jet Airways – Rs 5,206 crore

There is an unusual wide gap between Indigo and its nearest rival Spicejet causing surprise to many.

See also : Indigo Appeals to Others to Assist its Passengers

Investors are very much upbeat that these aviation companies will post good December quarter earnings as a fall in crude oil prices, reduced fares and increased sales.

2015 Saw a Few Highs and Several Lows in Indian Aviation

It was an eventful year. Most of the events have already been reported here. Let us recapitulate.

Aviation Round Up : 2015



The year 2015 saw a few highs and several lows in Indian Aviation.

- 3 new airlines came up
- Spicejet pulled off a miracle, coming back after a near-

collapse,

- Indigo got listed
- India regaining the top safety ranking, and
- The draft Civil Aviation Policy remains in limbo even today.

(See Shining stars)



Indigo in Kathmandu

All things considered, fliers might have to pay more from 2016 with the government proposing 2% levy on all air-tickets to fund regional connectivity plans even as the draft policy promises various tax sops for the sector. Many analysts feel that, if properly implemented, the new policy can actually bring the air fares down. (See could have been)

The Civil Aviation Ministry saw a change of Secretary while the two ministers – Ashok Gajapathi Raju and Mahesh Sharma – found themselves differing on various issues including the issue of regulating airfares. 1982 batch Tamil Nadu cadre IAS officer, M Sathiyavathy took over as the first woman head of DGCA, the aviation regulatory body. It was under her tenure, that India's aviation safety rating was restored to the top category by the US aviation regulator Federal Aviation Administration, FAA, which in January 2014 had downgraded rating to Category 2.



DGCA M Sathiyavathy

In December, a freak accident saw a service engineer of Air India being sucked into the aircraft engine at Mumbai airport. It once again brought to the fore the workers' safety, quality and maintenance issues at airports. (See Freak acci)

In another development, Chennai airport was shut for five days following unprecedented floods in December. This became an additional natural calamity which the sector has to bear, though the case of Chennai, many experts say, was man made. The other calamity which India's aviation has to contend with is more regular and familiar in the North, that is, the fog. Needless to mention, all such natural calamities cause revenue loss.

Despite the ups, the top 3 players of Indian aviation earned for themselves the dubious tag of "unfair business practitioner". The Competition Commission slapped a total penalty of Rs 258 crore on Jet Airways, IndiGo and SpiceJet for alleged cartelisation in fixing fuel surcharge on air cargo. The order is likely to be challenged by them. (See Could have been penalised more)



The main failure on the part of the Civil Aviation Ministry, however, is in finalising the re-drafted aviation policy,

despite the Minister of State Mahesh Sharma providing tentative time lines. This policy will eventually decide the fate of existing norms for domestic, inter state, and International operations by Indian carriers.

2015 took off with Vistara launching its first flight to Mumbai from Delhi in January. The Tata-SIA joint venture airline became the 3rd domestic full service carrier after Air India and Jet Airways. Its fleet strength is now up to 9 A320s. It also introduced a new cabin class – premium economy – in addition to conventional business and economy class on its aircraft. (See Vistara)

2 regional airlines –Air Paegasus and TruJet – also began their services in the south.

Promoter Ajay Singh did a remarkable job of turnaround for his Spicejet. It came up with profits in three consecutive quarters till September. Ajay Singh had earlier taken back the reins of Spicejet from the Marans. With several favourable factors like falling fuel prices, rising passenger demand, Spicejet shares might jump another 300% !



The year saw the first airline IPO in 9 years. InterGlobe Aviation mobilised over Rs 3,008 crore from the capital market. It was much more than what the promoters had expected – oversubscribed. Even today, after its listing, in less than 60 days, the share price has gained more than 30%. In spite of this, Indigo has to ask for assistance in its operations from others. (See Indigo appeals)

Airlines from the Gulf have shown keen interest in equity

participation with Indigo and Spicejet. Amritsar and Dubai are now connected by Spicejet. The financial credentials of Air India are such that it has to pay more interest to its lenders.

By the end of 2015, Jet Airways saw another change in the top management with Crammer Ball quitting as CEO. Besides, from next March, the carrier would shift its European hub to Dutch capital Amsterdam from Brussels. (See Amsterdam)

In September, it was announced that subsidiary JetLite would merge with parent Jet Airways. In GoAir ,its top executive Giorgio D Roni was replaced by Wolfgang Prock-Schauer a former Jet Airways CEO.

Differences in start-up airline AirAsia management – a 3-way joint venture among Malaysia's AirAsia, Tatas and Arun Bhatia's Telestra Tradeplace – came out in the open. Bhatia raised concerns about the state of affairs at the carrier, which is still struggling to break even despite being in the air for over an year.

Air Costa plans to expand its fleet. It may have a pan-India presence soon. (See Pan India). TigerAir brought Lucknow and Singapore closer.

The world admires India's technical expertise in aviation. It also realises that labor costs are still very reasonable in India. Boeing found it feasible to sign a JV with Tatas to make Apache Fuselage in Hyderabad. This is a venture which has the potential to create a number of job opportunities.

The riches-to-rags story of Kingfisher's Mallaya came to its logical end. Its last rites being performed now. (See wilful defaulter). The saga will be remembered as one of a kind where every foreign investor had become so reluctant that it saw a Mallaya in every Indian promoter. Indian aviation suffered.



Air India CMD Ashwani Lohani

For state-owned Air India, a change at the helm happened with the appointment of non-IAS officer Ashwani Lohani as CMD who has the unenviable job of turning around the loss-making carrier. A 1980-batch Indian Railway Mechanical Engineering Services officer, Lohani holds four degrees – mechanical, electrical, metallurgical and electronics – for which his name figures in the Limca Book of Records. Despite all his credentials, he is not qualified to certify an aircraft or its component as airworthy as an engineer. (See Air India Maintenance) .

PM's visit to U.K. recently resulted in the introduction of a direct flight between Ahmedabad and London. Air India has also recently started direct services to West Coast in the US with a flight to San Francisco from Delhi and Bangaluru. (See Silicon valley cities)



In Aviation, India is a major force to reckon with : IATA

The issue of high airfares and alleged predatory pricing ways in the guise of dynamic pricing also came into the limelight, when some MPs sought regulations in this regard. The issue was finally put to rest by Sharma, when he recently informed the

Parliament that there was no proposal before the government to regulate airfares. (See No proposal).

In a move that would make the fliers unhappy, the government in the draft policy has mooted 2% levy to fund regional connectivity plans. This is despite the fact that various tax sops and over 50 per cent FDI for the Indian carriers have been suggested in the draft policy. (See FDI Norms)

Many aviation analysts believe that this is not a nice way to mobilise funds. The policy completely overlooks 'income from other sources' which has huge potential. The policy makers could have made air fares actually cheaper by at least 2%. (See 2% cheaper)

In case of other policy matters, flip-flops went unabated all through the year. Surprisingly, the Aviation Ministry scrapped the proposal to privatise 4 airports at Kolkata, Chennai, Jaipur and Ahmedabad, despite floating invitation for bids. The U-turn came after the deadline for bids was extended multiple times !!

Further, the government decided not to sell stakes in Airports Authority of India (AAI) and Pawan Hans Ltd for the time being.

On whose money does Air India run ? Whether its the passengers' money who fly in its aircraft or whether its the money of those people who do not use its aircraft?

Air India is presently surviving on a Rs 30,000-crore bailout package. It is the tax-payers' money. All included – from the HNIs to the slum dwellers. And, in Air India there are no apparent signs of recovery. It still needs more funds. "Will there ever be an end to it?" the common man asks.

Despite this the Air India CMD says, "I am not in favour of privatisation. I believe in turning around an organisation and not privatising it. In my stint at ITDC, I was branded as anti-disinvestment." He says that he has no manpower, while 1000s of job-seekers stay lined up outside his office

throughout the year and 100s of staff keep protesting inside his company. This is one irony which every common man of the country has to bear.(See Air India Maintenance) .



Air India Pilots wear black bands in protest

The most surprising was the government's announcement of signing of a pact between AAI and Singapore Economic Council for management and operations of Ahmedabad and Jaipur airports by Changi Airport. The decision, taken during Prime Minister Narendra Modi's visit to Singapore in November. It duly evoked a strong resistance from the opposition, notably the Congress and CPI-M.

In the meantime, Durgapur became the country's first private operational green field airport. (See Durgapur).

The general business aviation in India could not rise as expected. Its prospects remained bleak due to inadequate infrastructure available and the Government's inaction. (See bleak prospects). Air One is looking for investors. Though, the Baron group has come up with an on line charter booking portal, its prospects don't appear promising considering the huge investments it has made into the venture. (See another portal). The air-charter prices which it offers are very much higher than is otherwise available. Baron clearly is spreading the message that it caters to HNI segment only, while the PM Modi dreams of aviation reaching to the masses.



Aviation should reach masses

At the receiving end are the career prospects of 100s of students who pass out from various so-called aeronautical Institutes every six months. They end up as job seekers since there are very few job opportunities available. There is apparently no working mechanism or co-ordination between the Industry and the colleges. Air India is trying to set up a University to nullify just this shortcoming. (See University). Till that time, the 1000s have no option but to wait and see another page of year folding up in the calendar!

The avid reader can go through the blog archives for full details.

H.P. Govt asks Air India to start special flights to Shimla

Shimla winter carnival starts on Dec 25

Simla, Kullu, Manali remain the top favorite destinations in Himachal Pradesh. Be it a family vacation or a honeymoon trip or a corporate getaway, Shimla, Kullu and Manali are the most

visited destinations among travellers.



Kulu Valley : Simply breathtaking

The week long Shimla Winter Carnival will be organised from December 25 to January 1. The main attractions of the carnival will be live-stage performances by various dance troupes and fashion show.

The Government anticipates a significant increase in tourist arrivals for Christmas and New Year festivities. It has asked Air India, to start special holiday flights to Shimla.

The railways has already announced two special holiday trains on the Kalka-Shimla rail line to cater to tourist rush. Speaking to HT, Himachal Pradesh Tourism Development Board vice-chairman Vijay Singh Mankotia said, "All efforts to facilitate the tourists during the year-end festivities are being made. We have requested Air India to start special holiday flights connecting the Shimla airport."



Kulu Airport

Just one day ago, Durgapur Airport became operational. (See Durgapur) . It is the PM's dream to air-connect small cities especially cities of tourist interest like Shimla !

"I have directed all hotels to make appropriate arrangements for a pleasant stay for tourists. Besides, dishes from local cuisine would be an added attraction for the tourists," said Harish Janartha, vice-chairman of Himachal Pradesh Tourism Development Corporation (HPTDC), which owns 58 hotels across the state, having a capacity of 2,300 beds.

The Himachal Pradesh high court had recently directed the authorities concerned to resume flights on a trial basis at the Jubbarhatti Airport, 18km from Shimla town.



Shimla Airport

Made operational in the early eighties, flights at the airport were suspended in 2012 in the wake of soil erosion that shrunk the runway to 3,800 feet from 4,100 feet. Since Kingfisher Airlines stopped operations on September 6, 2012, no flight landed at the airport. In a written reply in Rajya Sabha, the then Civil Aviation minister Vayalar Ravi had said that the DGCA had identified 11 airports which were considered critical airports from flight operations point of view. Two out of three airports in Himachal Pradesh had been named in the list namely Shimla and Bhuntar (Kullu) airports.



HP Tourism Development Board vice-chairman Vijay Singh Mankotia

The state had then requested the Union ministry of civil aviation to provide funds to carry out repair work at the airport, following which the ministry sanctioned Rs 142 crore to the Airport Authority of India. However, of the sanctioned amount, just Rs 10 crore was released that was used to ready the landing strip and the airport was thrown open in December.



Kingfisher was the last airline to operate here

However, though non-scheduled flights between Shimla and Delhi have resumed, none of the airlines has shown interest in starting regular flights to the hill state capital.

“About six non-scheduled flights have arrived at the airport after it became operational. It’s for the airlines to decide as and when they start scheduled flights,” airport director Parvindra Tiwari said.

Those associated with the hospitality industry have been demanding that the government make efforts to resume flights to Shimla.

“The government should step up to get flights resumed at Jubbarhatti Airport. We are expecting heavy tourist rush for Christmas and New Year as 60 to 70% hotels are already booked,” said Harman Kukreja, president of the Shimla Hoteliers and Restaurateurs Association.

India's First Private Greenfield Airport is Now Alive

Durgapur, Dec 21 (IBNS)

A Direct Durgapur-Delhi flight makes debut

The government's move to connect airports in smaller towns appears to be gathering momentum. (See Greenfield)

Direct flights from Durgapur's Kazi Nazrul Islam Airport to New Delhi, has started. It got off to a flying start with Air India recording overwhelming bookings for its tri-weekly flights in the very first week of operations.



The huge response for the first flight itself shows the demand from the region.

Durgapur is one of the best and big industrial area among West Bengal. It projects an image of an industrialized India.



Durgapur is situated on the Damodar river banks

situated on the Damodar river banks.

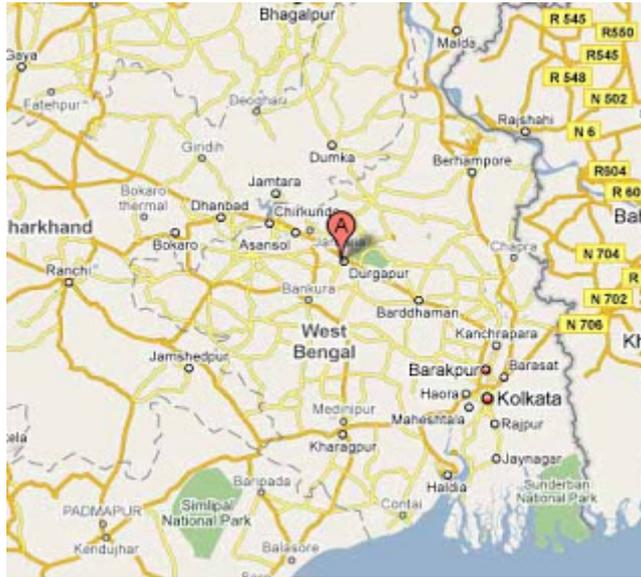
Durgapur's Kazi Nazrul Islam Airport, India's first operational private Greenfield airport, developed by Bengal Aerotropolis Projects Limited, BAPL, is the latest addition to the country's civil aviation network.

Air India will operate the 122-seater Airbus-319 aircraft on the Kolkata-Durgapur-New Delhi sector every Monday, Wednesday and Friday.

Partha Ghosh, Managing Director, BAPL, said: "We were sure that the people of Durgapur and its catchment area would welcome direct connectivity with the national capital. Till now, the people from this region had to travel all the way to Kolkata or Ranchi airports, some 200 km away, to catch their preferred flights to New Delhi or elsewhere. We are overwhelmed and thankful for the blockbuster opening, which proves our belief that there exists tremendous potential in the ADPA region, that our Aerotropolis project and our Airport are poised to cater to."

The scheduled commercial flight

[Flight No. AI 733]



Dep Kolkata 08:30 am
Arr Durgapur 09:00 am.

Dep Durgapur 09:30 am
Arr New Delhi 11:45 am

[Flight No. AI 734]

Dep New Delhi 12:35 pm
Arr Durgapur 02:40 pm.

Dep Durgapur 03:20 pm
Arr Kolkata 03:50 pm.

For ticket bookings, NC Airways is at your service.

West Bengal Chief Minister Mamata Banerjee had graced the inaugural flight on Dec 7.



She had said that the Durgapur-Delhi service would help in the growth of industry, commerce and also tourism in the region. She had also complimented BAPL for the world-class experience offered to travellers at the country's first private Greenfield airport.