

Is All Well with India's Aviation Sector?

India's aviation sector is presently facing serious issues but has so far failed to find any answers. Over the last one month, genuine alarm bells have started ringing. A number of India's airlines are struggling to keep flying.

1. Jet Airways: India's biggest full-service airline. It planned to lay off employees, said only 60 days left, suggested pay cuts but couldn't do so. On August 9, it deferred the announcement of its financial results which caused its share price to crash to a three-year low. The aviation regulator, the Directorate General of Civil Aviation (DGCA) had to step in for the audit. Its Chairman, Narendra Goyal, the London-based NRI, cut a sorry figure. He had to tell his shareholders that he's embarrassed and guilty of their losses.

2. IndiGo: India's biggest airline by market share. Its net profit plunged 97% year-on-year to Rs 2780 million in the April-June quarter.



3. SpiceJet: On August 14, the LCC posted a net loss of Rs 381 million year-on-year for the June quarter.

4. Air India: 23 of its airplanes grounded. Not able to get spares. Unable to pay salaries to its staff on time. The loss-

making debt-ridden carrier has been facing cash paucity ever since the government decided not to fund the airline any further after its decision to sell it last year. It has delayed salaries of its employees six times in the last seven months. It paid July salaries to its employees on August 14. Air India pilots have warned that they will stop operations if their flying allowance dues are not paid immediately.

Jet Airways CEO Vinay Dube had said earlier, "Financial performance was weaker due to the continuing increase in the price of Brent fuel without a corresponding increase in airfares, as well as market-to-market adjustments due to a weaker rupee."

Aviation experts, however, differ.

They assert that the airlines can not keep blaming fuel prices and rupee volatility for all their problems. These are among the well-known risk factors in the aviation business. It is clear that the airlines did not show better wisdom to handle such situations.

The root cause for most of these troubles is the airlines' inability to understand aviation business.

Passengers or profits. Indian airline companies are yet to decide the way that will take them steadily forward. Instead of focusing on a viable business strategy that will prevent such situations, they resort to market gimmicks in an attempt to increase their market shares.

Things have changed a lot since the collapse of Kingfisher in 2012. The demand has surged by more than 17% year-on-year in June 2018, but the aviation companies could not capitalize, they were unable to fulfill the demand and consequently lagged behind.

The Indian air carriers continue to offer promotional discounts despite high inflation and unfavorable other global factors. For instance, on August 11, Jet announced an up to 30% discount on its international routes. Air India and GoAir followed Jet. Such competitive fares do not make a prudent business sense for such branded players.

Recently, the rupee touched the 70-mark against the US dollar. Other sectors like IT are able to deal with such circumstances as they have certain hedging practices in place. The aviation sector, however, has not been able to devise a credible

currency policy to date.

This inability to value sustainability has caused the aviation companies to bring their houses in disarray.



The Civil Aviation Minister Jayant Sinha has said that the government will soon announce a comprehensive package for the Air India and a supportive policy for the whole of aviation sector by giving it a viable tax structure.

Every airline will like to create a growth-oriented, sustainable future and a revitalized guest experience. Besides, it has to stay practical and in sync with market dynamics.