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Abstract: Indian Aviation Industry has confronted numerous difficulties and it is still it is checking. Numerous new organizations are infiltrating to this business sector. Strategy modifications, for example, 49 percent venture through remote direct speculation (FDI) are changing the substance of the business. Distinctive organizations are attempting to bring the benefit. The vast majority of them are confronting distinctive issues. There are such a large number of various issues associated with the business like operations, government approaches, tax assessment and gigantic venture to be gotten to begin the business.

Despite the fact that this business sector is confronting a great deal of issues and difficulties it is as yet developing at the rate of 18 percent for every year. So Many elements are adding to this development, for example, increment in extra cash of the populace, mechanical development in the nation or change in government approaches, for example, FDI. From this viewpoint Indian Aviation sector is appealing.

Since couple of years most by far of the Indian people is moving from lower middle class to upper middle class. They are getting ability to spend and redesign their lifestyle. This is offering opportunity to insignificant exertion players to tap the bit of the general industry Major target of this paper is to study Indian Aviation Industry structure, Major players, and new players in the business and few noteworthy difficulties confronted by the business. Notwithstanding this another goal is to take a gander at these players from the customer perspective on criteria, for example, value, brand review, time of entry or takeoff, simplicity of booking and administration and so forth.

Key Words: Aviation Industry, Airport, Business, Government, Customer.

INTRODUCTION:

Presently the Indian flight industry falls among the main 10 worldwide flying commercial ventures. It has indicated high development direction. According to the late report by KPMG, Current size of Indian common aeronautics industry is of 16 Billion US dollars. Its commitment to the Indian GDP is 0.5 %. 150 million travellers are transported via air day by day. It is assumed that by 2020 this number will increment to movement of 450 million travellers every day. All out airplane developments and traveller activity has developed with CAGR of 3.3 and 5.5 percent separately amid FY 11 to FY 14. It is anticipated via Airport Authority of India that air ship and traveller developments at the whole airplane terminal are required to ascend at the rate of 4.2 and 5.3 percent separately.

This Paper additionally gives some prescribed answers for take care of the issues of Indian Aviation Industry. By 2020, traveller movement at Indian airplane terminals is required to increment to 421 million from 190.1 million in 2015. Household traveller movement extended at a compound yearly development rate (CAGR) of 11.8 percent over FY06–15. It is relied upon to touch 209 million by FY17. Global traveller activity posted a CAGR of 9.5 percent over FY06-15 and is set to touch 60 million by FY 20. There are few elements, for example, passage of Low costs bearers (LLC), advanced airplane terminals, vision of the new government with respect to tourism and transportation, outside direct ventures, bleeding edge innovation, and vision of provincial network are driving the business towards change. In 11th five year plan (2007-12), four new airports are built in “Public Private Partnership (PPP)” mode. At present there are around 450 airports still there are no airports in tier 2 and tier 3 cities. Airport Authority of India manages 125 airports of which 11 airports are international airports, 8 custom airports, 81 domestic airports and 25 civil Enclaves at defence airfields. Tier 2 and 3 cities contribute only 30 percent of the total air traffic. Government of India is planning to construct more 15 airports under the Greenfield Airport Policy by identifying low cost viable model for construction of small airports. These airports are expected to improve the connectivity among these T2 and T3 cities. Along with this AAI is also planning to invest 150 million in development of non-metro airport in 12th five year plan.

The Government of India (GOI) envisions airport infrastructure investment of US\$ 11.4 billion under the Twelfth Five Year Plan (2012-17). It has opened airport sector to private participation, six airports across major cities are being developed under the PPP model. The Airports Authority of India (AAI) aims to bring around 250 airports under operation across the country by 2020. India’s civil aviation industry is on a high-growth trajectory. India aims to become the third-largest aviation market by 2020 and the largest by 2030.

The Civil Aviation industry has ushered in a new era of expansion, driven by factors such as low-cost carriers (LCCs), modern airports, Foreign Direct Investment (FDI) in domestic airlines, advanced information technology (IT) interventions and growing emphasis on regional connectivity. India is the ninth-largest civil aviation market in the world, with a market size of around US\$ 16 billion.

MARKET SIZE:

In January 2016, household air traveller activity rose 23 percent to 7.66 million from 6.25 million amid that month of a year ago. Traveller’s activity amid the January-December 2015 expanded at a rate of 20.3 percent to 81.1 million from 67.4 million in the comparing time frame a year back. In January 2016, all out airplane developments at all Indian air terminals remained at 156,048, which was 15.9 percent higher than January 2015. Global and residential airplane developments

expanded 10.6 percent and 17.5 percent separately, in January 2016. Indian household air movement is relied upon to cross 100 million travellers by FY2017, contrasted with 81 million travellers in 2015, according to Centre for Asia Pacific Aviation (CAPA).

India is among the five quickest developing flying markets universally with 275 million new travellers. The carriers working in India are anticipated to record an aggregate working benefit of Rs 8,100 crore (US\$ 1.29 billion) in monetary year 2016, as indicated by Crisil Ltd.

INVESTMENT:

According to data released by the Department of Industrial Policy and Promotion (DIPP), FDI inflows in air transport (including air freight) between April 2000 and December 2015 stood at US\$ 612.53 million.

Key investments and developments in India's aviation industry include:

- The Ministry of Civil Aviation has signed Memorandum of Understanding (MoU) with Finland, Kazakhstan, Kenya, Sweden, Norway, Denmark, Oman and Ethiopia for increased co-operation between the countries in terms of additional seats, sharing of airlines codes, increased frequencies and additional points of call, during the International Civil Aviation Negotiations (ICAN), 2015 held in Antalya, Turkey.
- Boeing has outlined the company's long term commitment to investing in India in terms of funds as well as skills, capabilities, infrastructure and partnerships so as to help the aerospace sector build capacity and become one of the drivers of the Indian economy.
- Auto components maker Bharat Forge Ltd (BFL), the flagship company of the US\$ 3 billion Kalyani Group, has formalised agreement with Rolls-Royce Plc, under which BFL will supply critical and high integrity forged and machined components for a range of aero engines.
- US-based aircraft manufacturer Boeing plans to assemble one of its two helicopters namely, Chinook (heavy-lift) or Apache (attack type) in India, thus becoming yet another global company to invest in India encouraged by the 'Make in India' campaign.
- Tata Advanced Systems (TASL) has signed a joint venture with American aircraft manufacturing major, Boeing, to establish a centre of excellence for manufacturing aero structures for Apache helicopter initially and collaborate on integrated systems development opportunities in India in the long term.
- Airbus SAS, one of the top two aircraft manufacturers in the world, plans to open aircraft maintenance and repair overhaul (MRO) facility in India.
- Airbus, the world's leading aircraft maker, expects India's aviation industry to grow at over 10 per cent annually in the next decade, almost double the average growth rate of the global aviation industry.
- Eyeing large orders from Indian airlines, Airbus has committed to source products worth US\$ 2 billion cumulatively over the next five years from India; the company plans to provide customised maintenance and other services closer to the base for all its airline customers in India.

CHALLENGES FACED BY THE INDUSTRY:

During 2013-14 industry has gone through tough time. The industry was facing major challenges such as

- a. Rising Operational costs
- b. Higher air fares

These are the major challenges arises because of the following factors:

- i. Challenges with policies
- ii. Procedures
- iii. Taxation

Many factors are responsible for the high operational costs in India.

- a. Higher cost of fuel in India
- b. High taxation
 - i. Excise duty
 - ii. Customs duty
 - iii. Sales tax
- c. High airport fare

These elements are prompting high operational expenses. It is watched that in India 35 to 45 percent operational expense is of fuel. While 20 percent is the worldwide normal. Real oil giving organizations in India are Indian oil Corporation Ltd and Bharat Petroleum Ltd. These organizations charge around 16 to 30 percent deals charge on fuel. This outcomes into high cost. Alongside this there are diverse duties forced by the legislature.

As of late new airplane terminals are inherent PPP mode. These air terminals are exceptionally cutting edge. This framework change is additionally a range of high sympathy toward flight businesses. Speculation cost for these airplane terminals is high. To recuperate this sum air terminal holding organization charges high this straightforwardly comes about into high expenses. For instance as of late Airports Economic Regulatory Authority of India (AERA) endorsed to raise assessment of Delhi and Mumbai airplane terminal to 346 percent and 154 percent separately in 2012. Chennai and Kolkata additionally proposed to increment in airplane terminal duty to 118 percent and 242 percent individually. This expanded duty will in the long run lead to higher cost paid by the aeronautics organizations for landing and stopping their flights. This expands the expense of operation. Along with this getting aviation license in India is main hurdle for small companies to enter into the

market. The procedure of getting license is bit slow and hectic. This is major hurdle to growth of the industry. This will responsible in coming years also if not addressed properly.

In 2014 government has taken some Initiatives , for example, they have permitted direct import of the fuel, which will spare deals expense to be paid to the oil organizations in India. Jet Spy is the main effective organization to import oil for its own particular in September 2013. Additionally government has guaranteed to lessen the custom obligation charges.

ANALYSIS OF MAIN PLAYERS:

MAIN PLAYERS IN THE INDUSTRY

Indian aviation industry is dominated by the Low Cost Carriers (LCC). These players can be classified into three major categories.

1. PUBLIC PLAYERS

- i. Air India
- ii. Alliance Air- Air India Regional- LLC

2. PRIVATE PLAYERS

- i. Jet Airways
- ii. Kingfisher India
- iii. Indigo
- iv. Spice Jet
- v. Go Air

Also in 2014 the industry has saw entry of five new players. These new players are:

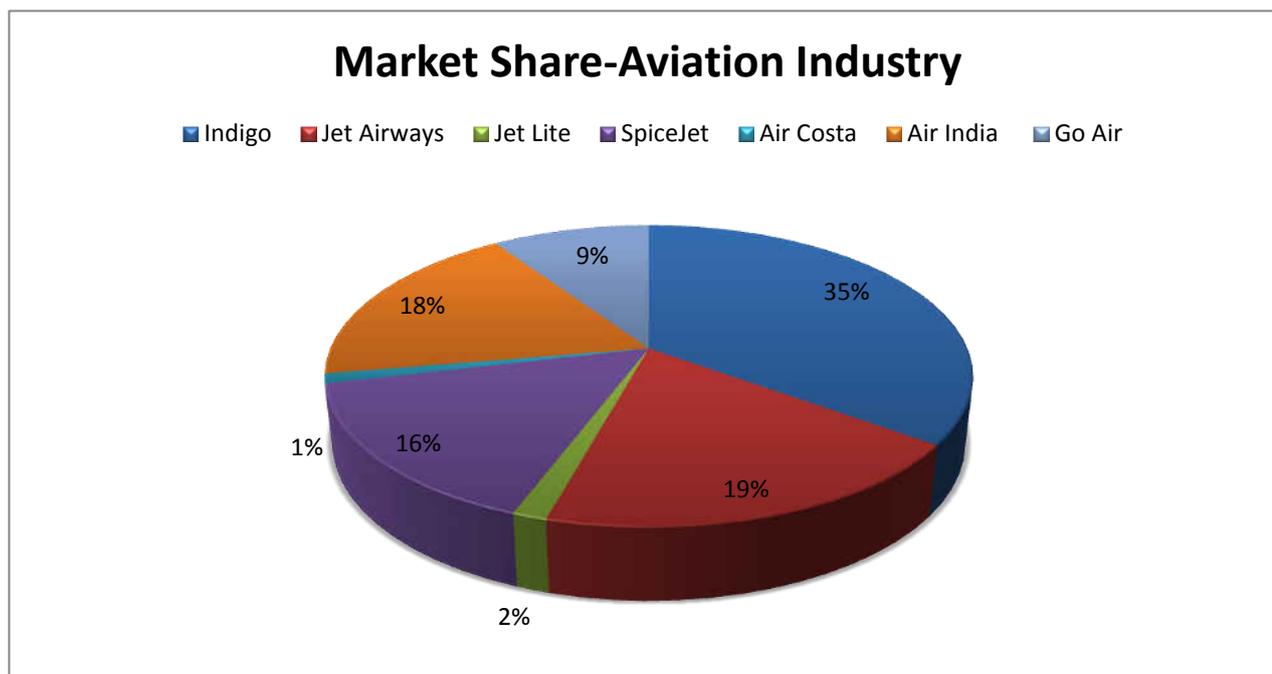
- i) JET Etihad deal has been finalized (FDI)
- ii) Tata-Singapore airlines Ltd-VISTARA
- iii) Air Costa (Part of LEPL Group)
- iv) Tata-Air Asia Ltd
- v) Air Pegasus Ltd

These are the five new players in the industry. They have different strategies to tackle the market.

MARKET SHARE ANALYSIS OF THE PLAYERS

Players in Indian Aviation Industry are fighting to gain maximum market share. Domestic market is dominated by LLCs such as Indigo and Spice Jet. Indigo is the only domestic company which has shown all time profits in its balance sheet. At the time of crisis Indigo sustained itself while gaining profits. It is India’s most preferred LLC.

According to analysis presented by Business Standards Indigo retained at top position followed by Jet Airways. This analysis was at the end of November, 2014.



Source: http://www.business-standard.com/article/companies/indigo-jet-airways-gain-while-spicejet-loses-market-share-114121801142_1.html

Passenger load factor, or **load factor**, measures the capacity utilization of public transport services. Considering passenger load factor analysis, Indigo and Air India has shown better results. From the data of CAPA we can compare it for the month of April and May 2013. All the companies are trying to increase load factor to 100 percent. This will directly results into their profit gain.

GOVERNMENT INITIATIVES:

Government agencies project that around 500 brown field and green field airports would be required by 2020. The private sector is being encouraged to become actively involved in the construction of airports through different Public Private Partnership models, with substantial state support in terms of financing, concessional land allotment, tax holidays and other incentives.

In the Union Budget 2016-17, the government introduced various proposals for Maintenance, Repair and Overhaul (MRO) operations for airplanes. These include customs and excise duty exemption for tools and tool-kits used in MRO works. The government has also scrapped the one-year restriction for utilisation of duty free parts apart from allowing import of unserviceable parts by MROs for providing exchange. As per revised norms, the foreign aircraft brought in to India for MRO work would now be permitted to stay up to six months or as extended by aviation regulator Directorate General of Civil Aviation (DGCA). Such foreign aircraft would also be henceforth permitted to carry passengers in the flights at the start and end of its period of stay in India.

Some major initiatives undertaken by the government are:

- Airports Authority of India (AAI) plans to develop city-side infrastructure at 13 regional airports across India, with help from private players for building of hotels, car parks and other facilities, and thereby boost its non-aeronautical revenues.
- Directorate General of Civil Aviation (DGCA), India's aviation regulator, has signed an agreement with United States Technical Development Agency (USTDA) for India Aviation Safety Technical Assistance Phase II, aimed at bringing in systemic improvements in the area of operation, airworthiness and licensing.
- The Government of India has given site clearance to Delhi Mumbai Industrial Corridor and Development Corporation (DMICDC) for setting up of a Greenfield Airport for public use near Bhiwadi in Alwar district of Rajasthan and has granted 'in-principle' approval to 13 other green field airport projects.
- The Airports Authority of India (AAI) plans to revive and operationalize around 50 airports in India over the next 10 years to improve regional and remote air connectivity.
- The Government of India, in its draft civil aviation policy released for inputs from stakeholders, has proposed raising Foreign Direct Investment (FDI) limit in domestic airlines from the current 49 per cent to over 50 per cent, along with other reforms such as tax incentives for airlines, incentives for travellers to fly to small towns at affordable rates, and easing the norms for domestic carriers to operate abroad.
- Gujarat is expected to get a second international airport at Dholera. The state government has formed Dholera International Airport Co. Ltd. and is obtaining approvals from the union government.
- The Directorate General of Civil Aviation (DGCA) has given its approval to Air India's maintenance, repair and overhaul (MRO) unit.
- The Government of India has decided to award airports in Kolkata, Chennai, Jaipur and Ahmadabad on management contract. AAI has issued the 'Request for Qualification' document for these four airports.

ROAD AHEAD:

India's aviation industry is largely untapped with huge growth opportunities, considering that air transport is still expensive for majority of the country's population, of which nearly 40 per cent is the upwardly mobile middle class.

The industry stakeholders should engage and collaborate with policy makers to implement efficient and rational decisions that would boost India's civil aviation industry. With the right policies and relentless focus on quality, cost and passenger interest, India would be well placed to achieve its vision of becoming the third-largest aviation market by 2020 and the largest by 2030.

Exchange Rate Used: INR 1 = US\$ 0.0147 as on March 01, 2016

References: Media Reports, Press Releases, Press Information Bureau, Directorate General of Civil Aviation (DGCA), Airports Authority of India (AAI), Union Budget 2016-17

Disclaimer: This information has been collected through secondary research and IBEF is not responsible for any errors in the same.

ANALYSIS OF THE SURVEY CARRIED DURING THE PROJECT.

Details of the survey:

- Survey Respondents: 56
- Duration of the survey conducted: 4 days (12th march to 16th, 2016)

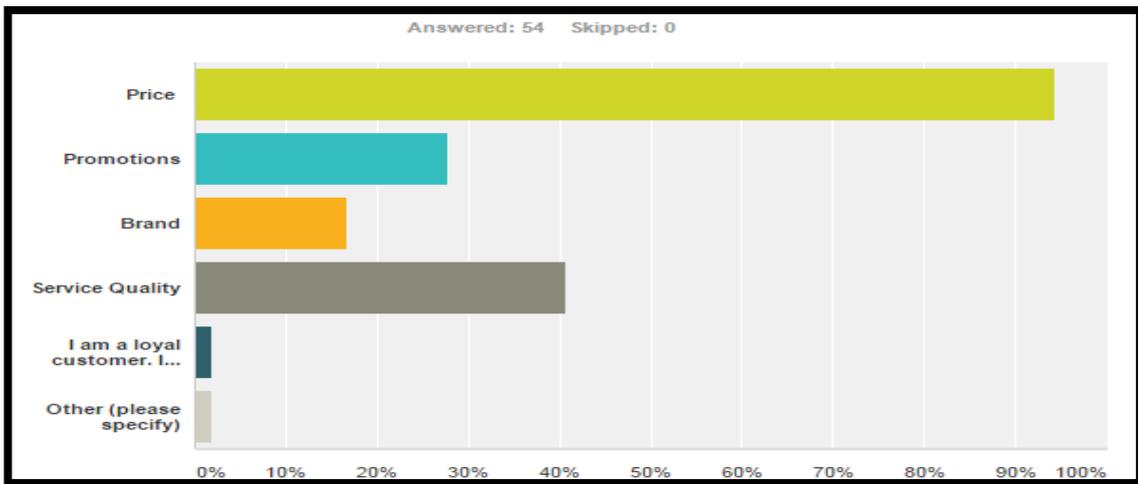
Analysis of the survey:

Following things have been found from the survey carried out:

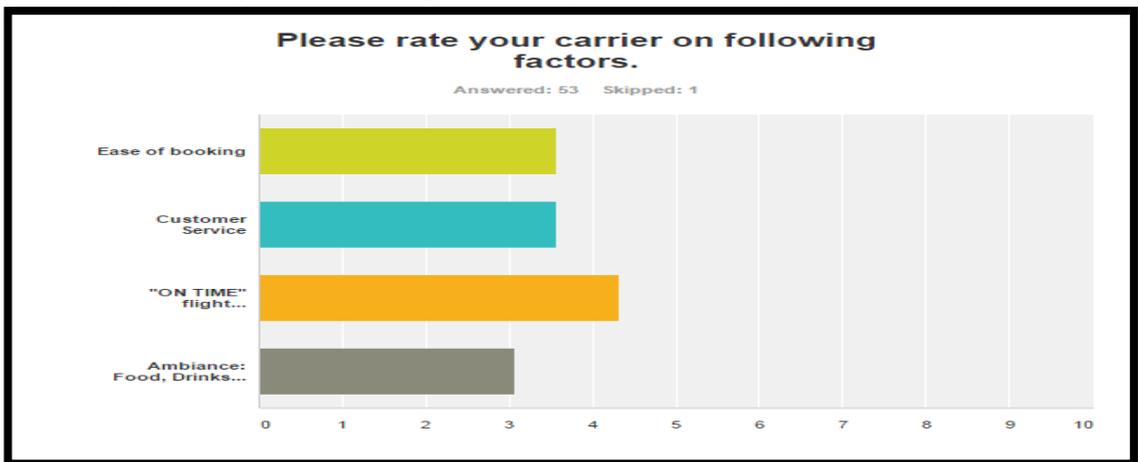
- i. Most of the people (around 60%) prefer Indigo as their favorite airline. Followed by Jet Airways. Spice-Jet is the third choice of the consumers

Answer Choices	Responses
SpiceJet	9.26% 5
Indigo	55.56% 30
AIR INDIA	5.56% 3
Jet Airways	24.07% 13
KingFisher	0.00% 0
GoAir	5.56% 3
Tata Vistara	0.00% 0
Total	54

- ii. Most of them prefer Indigo because of the low price
- iii. Around 95% people are looking for the low price carrier.



- iv. People are conscious about service quality and promotions.
- v. On time flight is most preferred for Indigo followed by the ease of booking.



- vi. Food is the most hated thing on the flight and ambience is least hated thing. People want better food followed by better service.
- vii. Most of the young consumers look for better cabin crew and least look for the leg room.

RECOMMENDATIONS:

Following are recommendation to improve sustainability of the airline business.

1. Government Policies: Government interventions are one of the common threats for the private players. They need some liberty.

2. Government Tax: Government of India is imposing many taxes on the airline industry. This directly results into increase in the ticket price., Considering airline is one of the basic transportation systems, government has to revise their taxation policy.
3. Fuel is highly charged because of the taxes on it. Very few companies such as IOCL, BPCL are providing fuel to aviation companies. These oil companies charge it high due to taxes. Government needs to subsidies fuel for the airline industry.
4. There is high potential in Tier II and Tier III cities. Airline companies have to explore these options for better revenue.
5. Indian consumer is addicted for the promotions. Airline companies have to update their promotional and marketing strategies time to time.

Glossary:

AAI	Airport Authority of India
GDP	Gross Domestic Product
LLC	Low Cost Carrier
PPP	Public Private Partnership
AERA	Airports Economic Regulatory Authority of India
IATA	International Air Transport Association
CAPA	Center for Aviation
IOCL	Indian Oil Ltd
BPCL	Bharat Petroleum Ltd

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