

Airline

Industry Code (as per CMIE Prowess): 0101040503010000'

June 2022

Overall Industry Risk Score: 12/20 Marginally Favourable

Sample Size: 5 Companies

Median Rating Value of sample size: BBB-

Individual Parameters Contributing to the Score

Demand & Supply Balance  **12/20**

DS Equilibrium

The aviation sector has been facing significant issues even prior to the pandemic. Leading players like Jet Airways & Kingfisher Airlines had already closed down their operations due to huge debt overhang & cash flow challenges. The pandemic affected the sector in first half of FY21 especially due to lockdowns and the restrictions on inter state passenger movements, but has shown some gradual improvement since the second half. As per data from IBEF, In FY21, airports in India pegged the domestic passenger traffic to be ~105.2 million, a 61.7% YoY decline, and international passenger traffic to be ~10.1 million, an 84.8% YoY decline, over the fiscal year ended March 31, 2020. The operating metrics have improved during FY22 and are expected to be significantly better than FY21 mainly on account of gradual opening up of the economy in the second half of FY22.

Extent of Competition  **12/20**

Neutral

The limited number of players, intense competition among players and high input costs has resulted in lower margins. Domestic players have code sharing agreements with other foreign players. Ministry of Civil Aviation continues to place caps/ limits on passenger fares - significantly impacting operating margins of players. Tata Group has regained complete control over the country's flagship public sector carrier Air India. Akasa Airlines is India's newest privately owned low-cost carrier which increases the private sector participation and competition going forward.

Regulatory Risk 12/20

Predictable Regulatory environment

FDI limit for the Aviation sector is now 100% (49% under automatic route and beyond 49% under Government Route).

Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Aviation fuel prices are linked to crude prices. Major OEMs for planes are Airbus & Boeing with whom the domestic carriers have leasing arrangements.