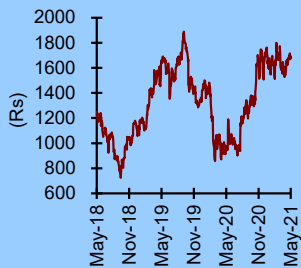


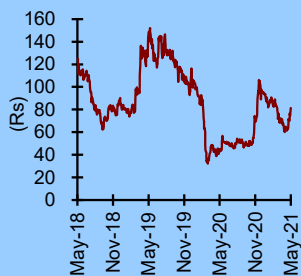
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Sector update

Indigo



SpiceJet



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Aviation

Increasing Government support as average daily remains at 49k

Indian Government incrementally has become more active in policy support for airlines. In FY21, the Government started intervention in pricing and capacity to maintain profitability of operations at variable cost level. From a complete prohibition of flights in Q1FY21, sector gradually opened to 80% in Q4FY21. International operations were only operated under agreed air bubbles and Government managed repatriation flights. In FY22, Government has again intervened in light of lower traffic post Covid 2.0. The permissible capacity is cut back to 50% with price floors hiked by 15% from June 1 ([link](#)). Additionally, aviation is now eligible under the new provisions of ECLGS (Extended Credit Linked Guarantee Scheme) with a maximum limit of Rs2bn per borrower ([link](#)). While this will be helpful for working capital requirements (airlines have less of financial indebtedness but more of operational creditors), it is not a long-term solution.

Key points to consider include (1) if there could be more help under ECLGS in future (2) if Government could also allow cuts in GST rate on ATF, which has been a long-standing demand and can increase structural competitiveness of Indian airlines and (3) possible tenure of the capacity and pricing intervention by the Government.

Table 1: Floor caps is revised upwards by 15%

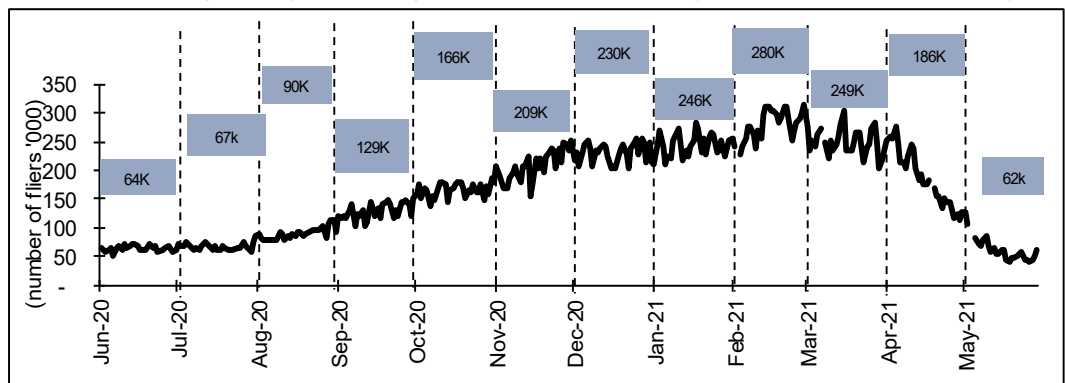
	Fares prior 1st June 2021		Fare after 1st June 2021		Fare revision since Mar'21	
	Minimum fare	Maximum fare	Minimum fare	Maximum fare	Minimum fare	Maximum fare
Less than 40 mins	2,300.00	7,800	2600	7,800	13%	0%
40 mins to 60 mins	2,900.00	9,800	3300	9,800	14%	0%
60 mins to 90 mins	3,500.00	11,700	4000	11,700	14%	0%
90 mins to 120 mins	4,100.00	13,000	4700	13,000	15%	0%
120 mins to 150 mins	5,300.00	16,900	6100	16,900	15%	0%
150 mins to 180 mins	6,400.00	20,400	7400	20,400	16%	0%
180 mins to 210 mins	7,600.00	24,200	8700	24,200	14%	0%

Source: Ministry of Civil Aviation,

Weekly average daily fliers came in at 49k (same as last week) and average number of departures declined to 773 (814 in the prior week) in the week ended 29th May'21 . The number of fliers per departure increased to 64 from 61 in the respective weeks (this implies a PLF close to 30%).

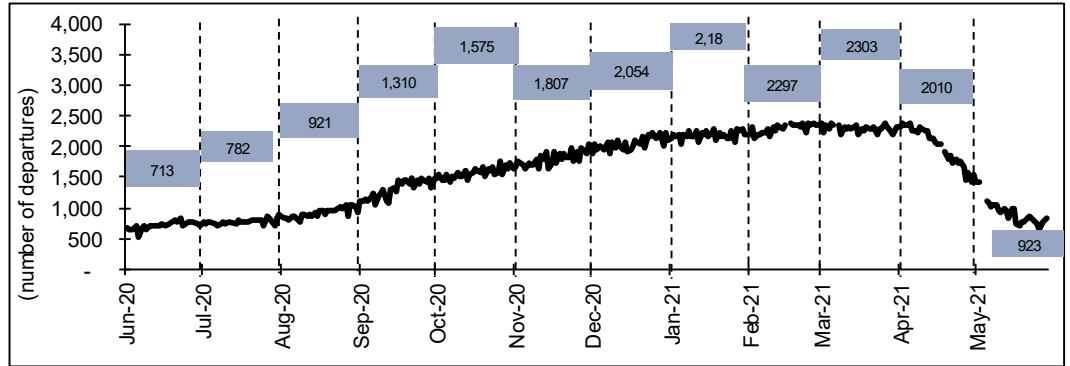
Average daily fliers remained flat WoW due to 5% drop in departures offset by 5% increase in the number of fliers per departure. Dip in traffic is largely attributable to travel restrictions in line with covid guidelines and higher number of covid cases.

Chart 1: Average daily passenger traffic falls sharply to 49K in W.E. 29th May'21



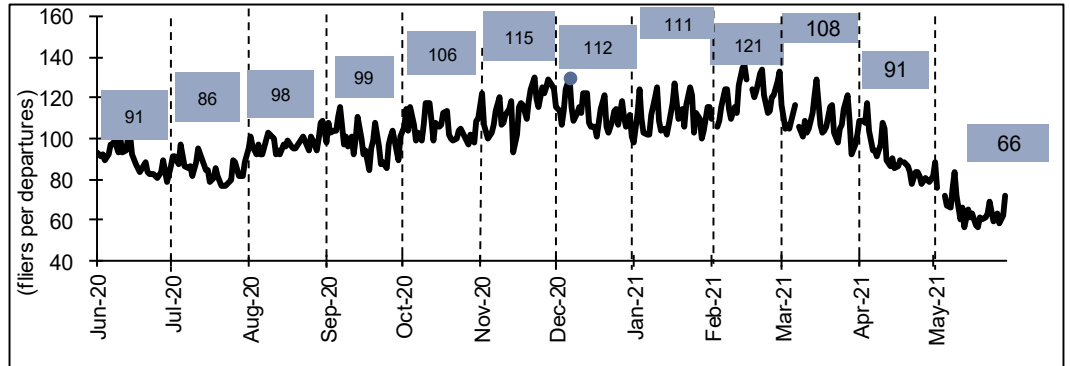
Source: Ministry of Civil Aviation,
Number in boxes indicates monthly averages.

Chart 2: Number of daily departures dipped to 773 in W.E. 29th May'21



Note: Number in boxes indicates monthly averages
 Source: Ministry of Civil Aviation, I-Sec research

Chart 3: Number of fliers per departure increased to 64 in W.E. 29th May'21



Note: Number in boxes indicates monthly averages
 Source: Ministry of Civil Aviation, I-Sec research

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