



Indian aviation: looking ahead

The India growth story ...



Time period	Average growth
1971 - 1980	3.08%
1981 - 1990	5.57%
1991 - 2000	5.60%
2001 - 2010	6.75%
2011 - 2019	6.90%
2021 - 2024 (E)	7% - 10%
2025 - 2030 (E)	10% +

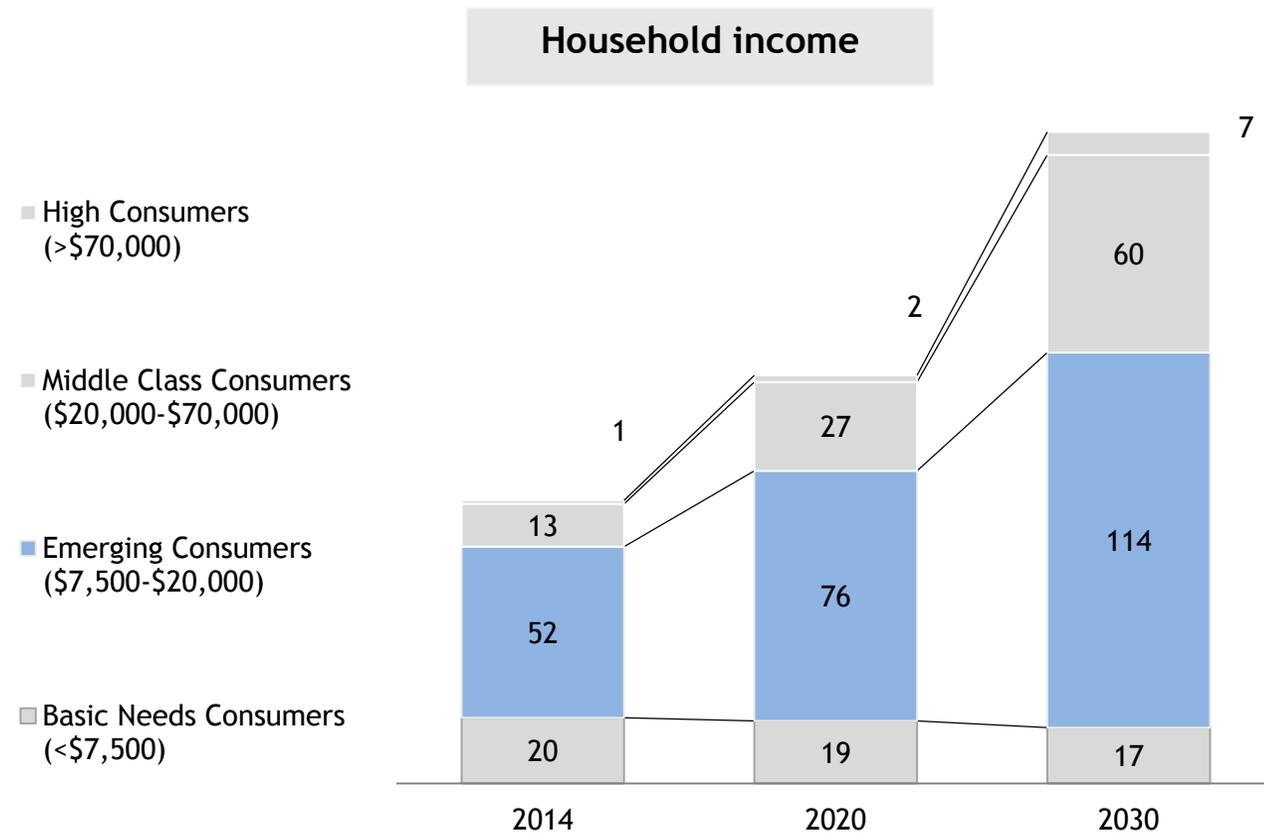
Strong foundations for future growth



- Sizeable base for domestic demand
- Digitization including the JAM trinity
- Potential for a large middle class
- Geo-political dynamics
- Diaspora and integration
- Resilient behavioural patterns

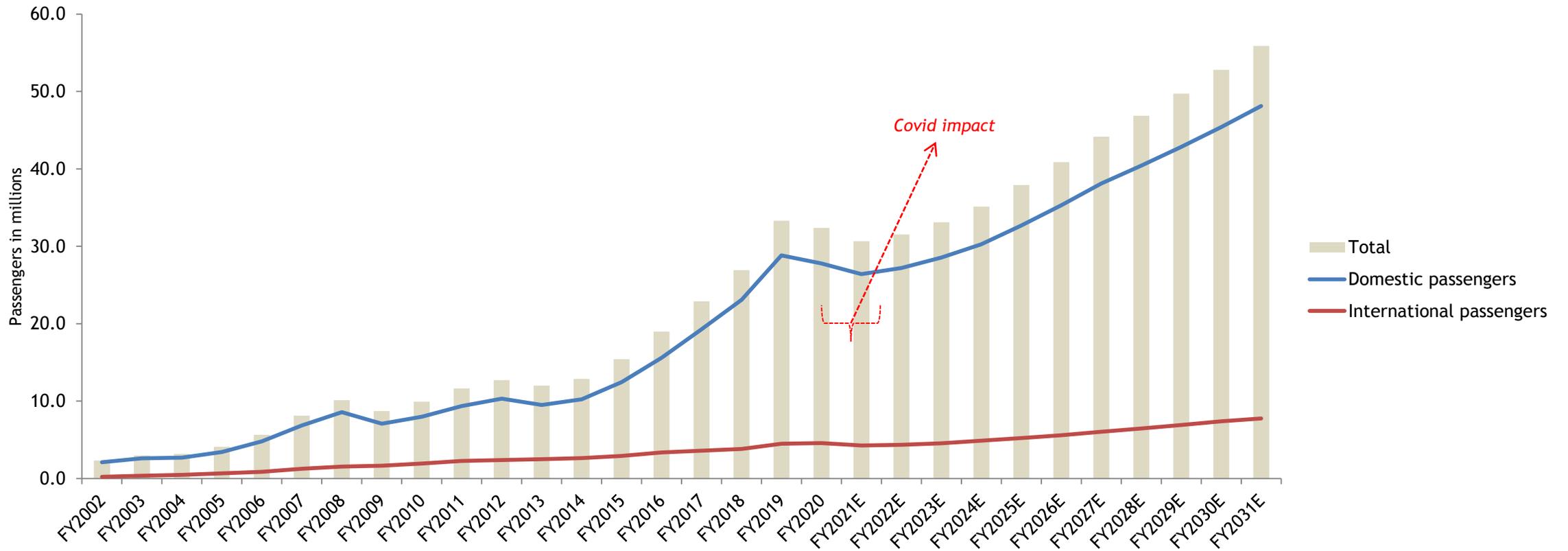
... *to name a few*

Looking at household incomes...



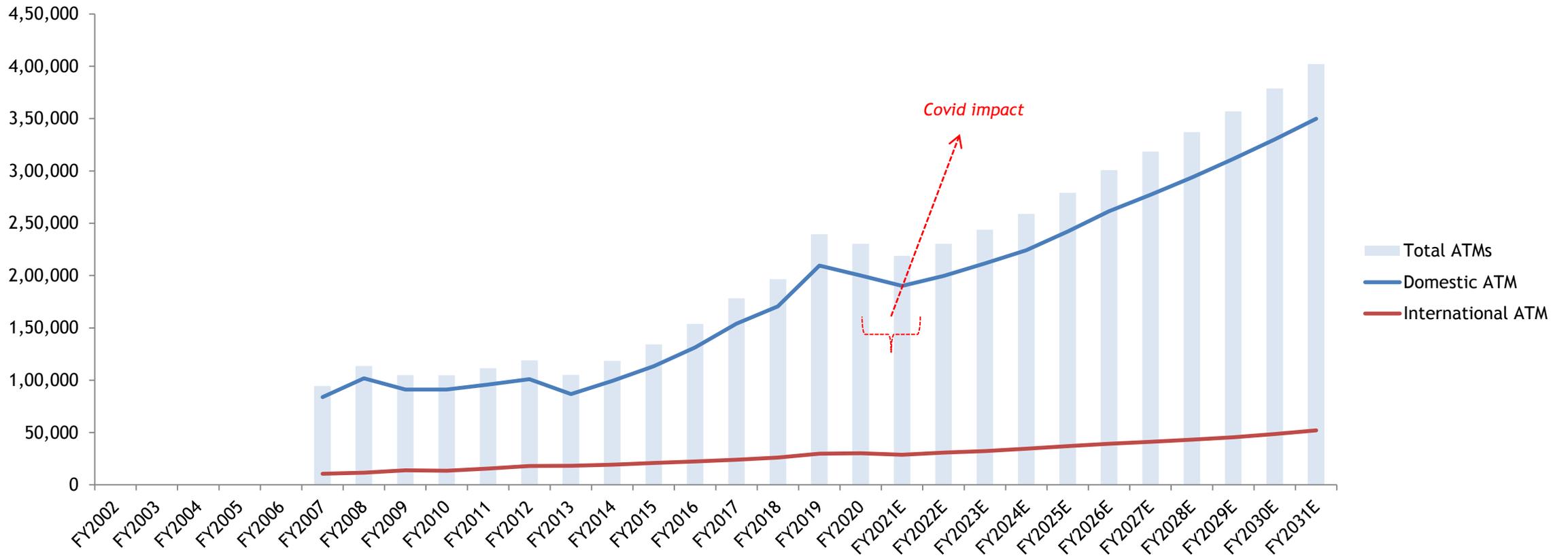
- Strong economic growth & income levels fuel travel demand
- Favourable demographics
- Jobs will be critical to ensuring this growth

The proof is in the data



Bengaluru's air traffic has grown at a compounded annual rate of 8.3% over the last 18 years
Passenger volumes quadrupled during the period of FY02 to FY10 and then trebled from FY10 to FY20
Even adjusting for Covid impact, Bengaluru's passenger volumes will double again by the next decade

Comprehensive forecasting ...



The number of air-traffic movements (counted as one-takeoff and one departure) have also increased exponentially
Further, there is a trend towards smaller aircraft types due to operating economics and increased aircraft ranges
With a dual runway system, the airport by its own estimates will saturate by 2030

But translating growth to economic opportunities requires action ...

- Cost of capital and return on capital
- Structural challenges and policy realignment
- Credit flows and funding sources
- Balance sheet strength
- Investor appetite



...else the potential is lost to competitors



Key success factors for aviation

Catchment Areas	Demand Potential	Competition	Operational capability& costs	Corporate & Environmental
Strategic importance	Demographics	Surface competitors	Efficiency	Corporate preference
Economic characteristics	Industries	Competing states	Airport capacity	Political will
Business environment	Fare levels	Technology	Charges	Incentives

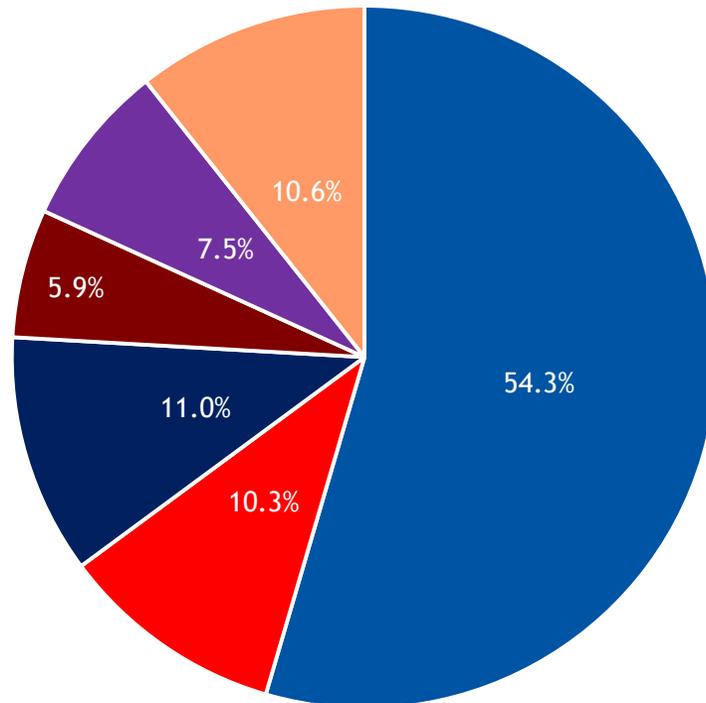
Demand is the most critical factor - but often misunderstood ...

Several policy changes effected but a lot of work ahead...

- ATF taxation
- MRO taxation
- Air India sale
- Route Dispersal guidelines
- 20 aircraft rule
- Airport capacity and demand dispersal
- Free market dynamics which includes business failures

...and the market structure has changed

Domestic marketshare



■ IndiGo 54.3% ■ SpiceJet 10.3% ■ Go Air 11.0% ■ Air Asia 5.9% ■ Vistara 7.5% ■ Air India 10.6%

Now common ownership

- 2 full-service carriers and 4 low-cost carriers
- The strongest player in the market (financially) also commands the highest marketshare
- The price sensitivity is so high that in spite of a monopoly marketshare it does not translate into pricing power
- India's airlines fly in a sea of sameness
- Two new startups are likely to enter this domain
- The startups will further erode margins

The structural challenges inform risk ...

Risk	Key question?
Revenue risk	Revenue split and contribution
Cash-flow risk	Will growth diminish cash-flows
Consumer choice risk	Factoring in behavioral changes
Technology transition risk	Investment versus returns
Financing risk	Covenants, cost-of-capital, balance-sheet basics

A non-exhaustive list ...

India better positioned than most countries

<i>Real GDP growth (%)</i>	2018	2019	2020	2021f	2022f	2023f
Global	3.2	2.5	-3.5	5.6	4.3	3.1
East Asia and Pacific (EAP)	6.5	5.8	1.2	7.7	5.3	5.2
Europe and Central Asia (ECA)	3.5	2.7	-2.1	3.9	3.9	3.5
Latin American and the Caribbean (LAC)	1.8	0.9	-6.5	5.2	2.9	2.5
Middle East and North Africa (MNA)	0.6	0.6	-3.9	2.4	3.5	3.2
South Asia (SA)	6.4	4.4	-5.4	6.8	6.8	5.2
Sub-Saharan Africa (SSA)	2.7	2.5	-2.4	2.8	3.3	3.8

<i>Real GDP growth (%)</i>	2018	2019	2020	2021f	2022f	2023f
China	6.8	6.0	2.3	8.5	5.4	5.3
India	6.5	4.0	-7.9	8.3	7.5	6.5

The opportunity is there for the taking ...



**“You never change things by fighting the existing reality.
To change something, build a new model that makes the existing model obsolete.”**

-Buckminster Fuller