

FORTUNA PT Business Line

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Thu, 08 Sep-22; Business Line - Mumbai; Size : 319 sq.cm.;
Circulation:29753; Page : 1

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The Indian aviation industry is likely to post a loss of ₹15,000-17,000 cr in FY23, says ICRA report **p2**

... but, ICRA estimates sector's loss in FY23 at about ₹17,000 cr

High ATF prices, competition and international borrowing remain dampeners

OUR BUREAU

Mumbai, September 7

The Indian aviation industry is likely to post a loss of ₹15,000-17,000 crore in FY23, according to ICRA. While the high ATF prices, intense competition and international borrowing continue to remain a dampener, a year-on-year growth of 52-54 per cent in the domestic air traffic segment will be a respite, stated the agency's half-yearly report.

The report said the reduction in Covid-19 cases is a booster for the industry. On a y-o-y basis, in Q1 FY23, the domestic passenger traffic was higher by 2.04 times at 32.5 million while it was lower by around 7 per cent compared to the pre-Covid level (Q1 FY20). With the back-to-normalcy in the operating environment driven by the waning effect of the pandemic, domestic passenger traffic is expected to witness 52-54 per cent y-o-y growth in FY23.

Recovery in traffic

"A fast-paced recovery in domestic passenger traffic is expected in FY23, aided by improving demand in both leisure and business travel segments," said Suprio Banerjee, Vice President & Sector Head, ICRA.

ICRA expects the recovery in domestic passenger traffic to pre-Covid levels by FY24. Further, with the resumption of scheduled international air operations for Indian carriers since March 27, and the reversion to bilaterally agreed capacity entitlements, the international passenger traffic for Indian carriers is on a strong growth trajectory (y-o-y



The reduction in Covid-19 cases is a booster for the industry, said the agency's half-yearly report REUTERS

growth of 4.03 times in Q1 FY23) due to pent up demand and is expected to reach or marginally surpass pre-Covid levels in FY23.

"Despite an expected improvement in passenger traffic, the industry is estimated to report a net loss of about ₹15,000-17,000 crore this fiscal (as against an estimated net loss of ₹230 crore in FY22), due to elevated ATF prices and the recent depreciation of INR compared to the dollar, both of which have a major bearing on the cost structure of airlines," said Banerjee.

Return to normalcy

On an aggregate basis, a return to normalcy will lead to a recovery in passenger load factors, which in turn, will aid revenues; however, elevated ATF prices and INR depreciation will continue to weigh on the earnings of Indian carriers in FY23. The expected re-launch of Jet Airways and the entry of a low-cost carrier, Akasa Air, is expected to intensify the competition for Indian carriers, the credit rating agency pointed out.

Banerjee explained that in FY23, the cost headwinds resulted in an increase in air

fares, with domestic yields in Q1 expected to have increased by 25-30 per cent over pre-Covid levels.

Debt levels

While the Ministry of Civil Aviation has discontinued the fare restrictions with effect from August 31, a sharp hike in airfares will be deterred by the intense competition and airlines' endeavours to maintain and/or expand their market shares.

With the decline in the industry debt levels towards the end of FY22 on account of notable reduction in debt of Air India before its sale, the interest burden in FY23 is expected to be lower. The debt levels for the industry are expected to be at around ₹1-lakh crore (including lease liabilities) as on March 31, 2023.