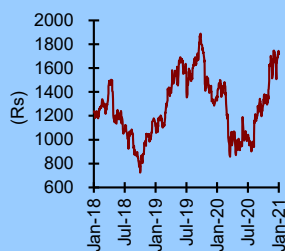
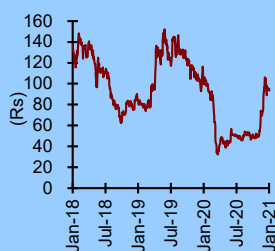


## Sector update

## Indigo



## SpiceJet



## Research Analysts:

Ansuman Deb

ansuman.deb@icicisecurities.com

+91 22 6637 7312

Ravin Kurwa

ravin.kurwa@icicisecurities.com

+91 22 2277 7653

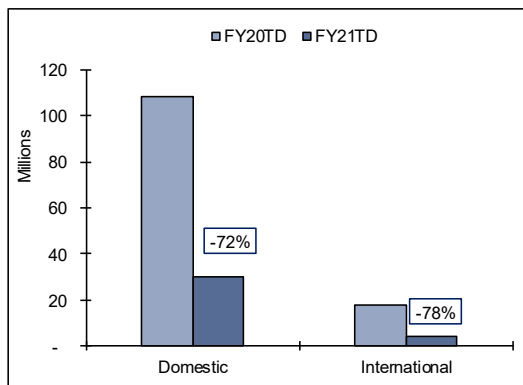
## Aviation

## International travel: Long-term opportunity, near-term pain

International travel remains a sore point in passenger traffic recovery for Indian airlines. Domestic and passenger traffics are down 72% YoY and 78% YoY respectively in FY21-TD. However, long-term opportunity remains big in the international segment for Indian airlines as they seek more parity in market share compared to their international counterparts in passenger as well as freight. While Indian airlines carry only 36% of Indian international passenger movement, their international cargo share is even more skewed at 14% (both on the basis of last normal quarter of Sep-Dec'19).

- **Vande Bharat Mission (VBM) flights under air bubble treaties will remain the operative mode of international travel in near term.** As of Dec'20, India has air bubble treaties (reciprocal air travel arrangements when regular flights remain suspended) with 24 countries (table 2). Till now, air bubble flights have been announced in eight phases, having flown 1.76mn passengers through Air India and 2.1mn through other airlines.
- **Airlines with higher international mix likely to face more challenges.** IndiGo, SpiceJet and Air India Express had 22%, 25% and 97% of their total capacities dedicated to international operations as at FY20-end. Vistara too inducted two Boeing 787 Dreamliner aircraft in its fleet. Even if 50% of all the international capacity of Indian airlines were to come to the domestic segment and there is no separate addition, available Indian domestic capacity will increase by 22% in FY22 over FY20. Business profitability in FY22 will therefore remain significantly hinged on the pace of international passenger traffic recovery.
- **Though long-term, international segment offers strong market share gain opportunity for Indian airlines.** If there is a 50:50 sharing of international business between Indian and foreign airlines, the total (domestic plus international) passenger/cargo traffic through Indian airlines can grow by 5% / 54% respectively on the basis of Q3FY19 (last normal quarter).

**Chart 1: In FY21-TD, domestic and international traffics declined 72% and 78% respectively**

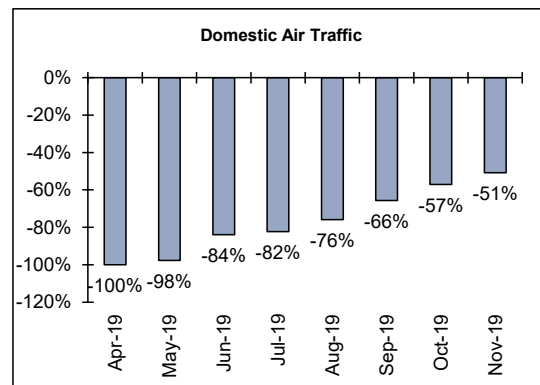


Number in box indicate FY21-TD growth

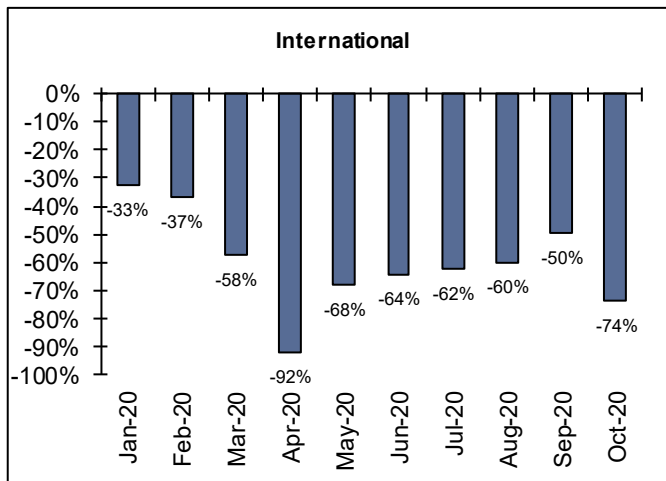
Note: Domestic passengers (till Dec'20) and international (till Oct'20)

Source: DGCA

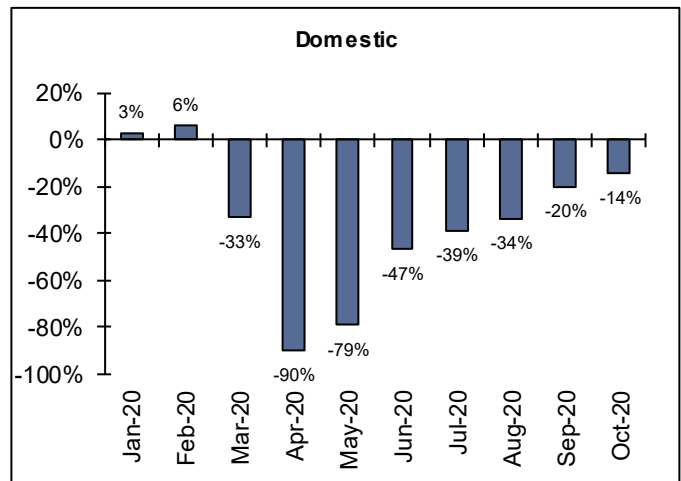
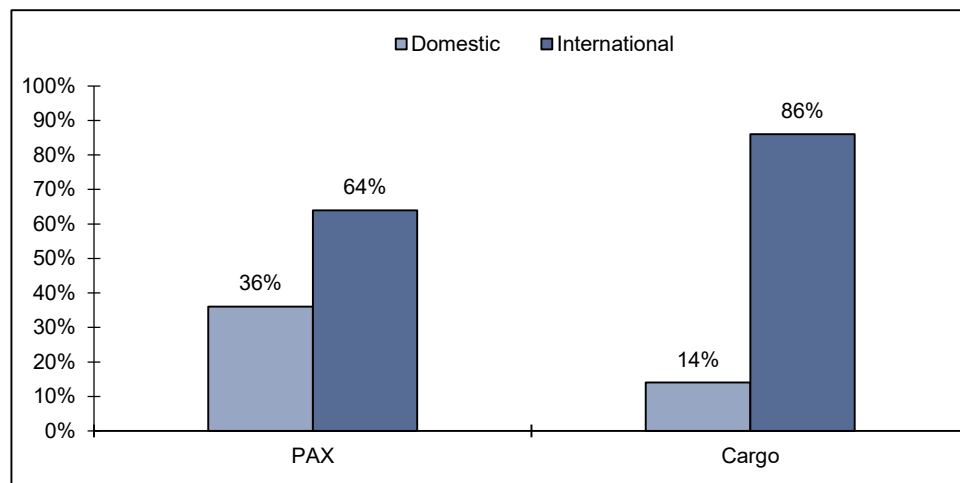
**Chart 2: Monthly trend of domestic passenger traffic growth**



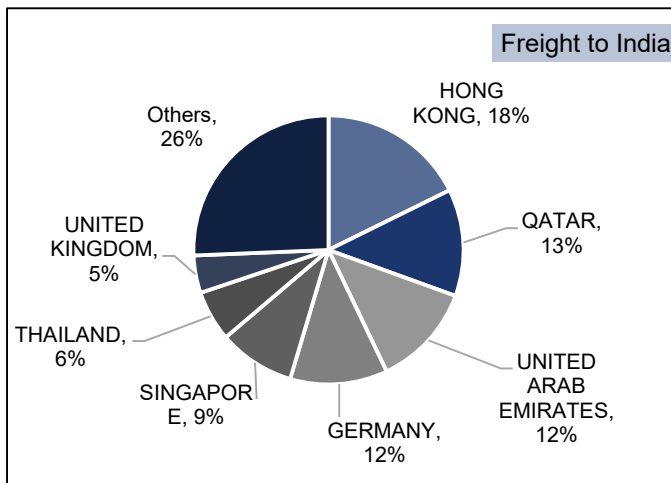
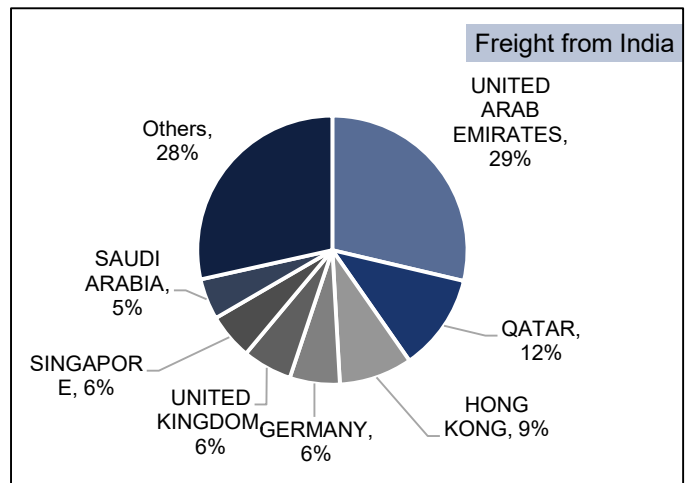
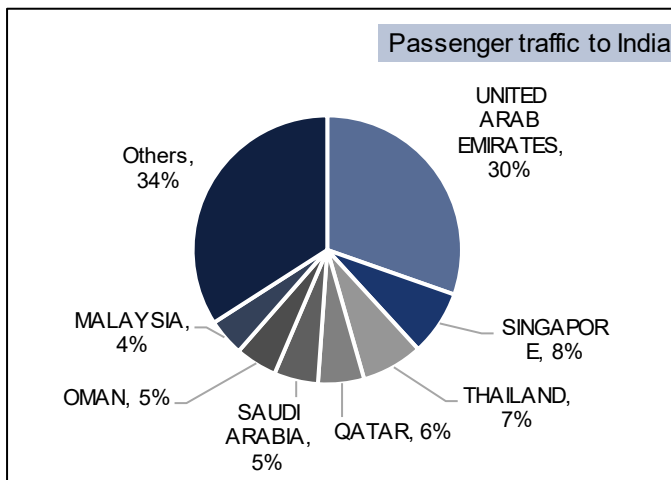
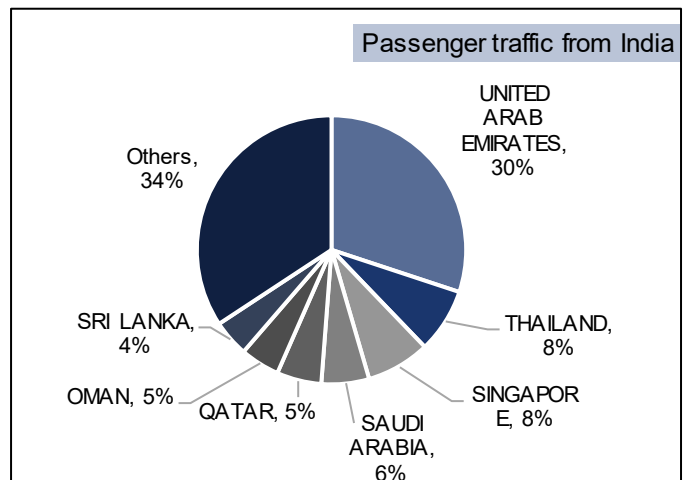
Source: DGCA

**Chart 3: International cargo traffic growth continues to be in negative zone...**

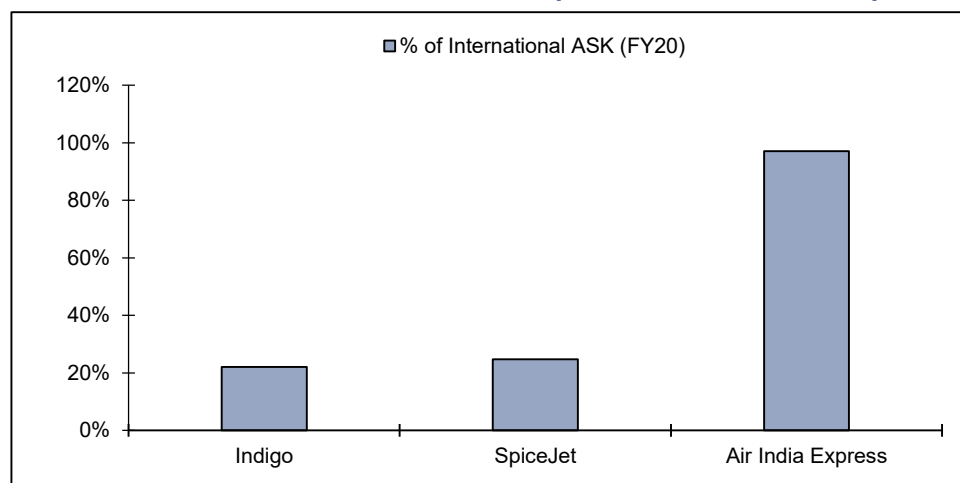
Source: DGCA

**Chart 4: ...domestic cargo traffic continues to see improvement****Chart 5: International and domestic share of passenger, cargo as at Q3CY19**

Source: DGCA

**Chart 6: Hong Kong has the highest share in international freight to India****Chart 7: UAE has highest market share in freight from India****Chart 8: UAE has highest market in passenger traffic to India...****Chart 9: ... and also in passenger in traffic from India**

Source: DGCA

**Chart 10: International share of IndiGo, SpiceJet and Air India Express**

Source: Company reports, DGCA

**Table 1: Air bubble agreement**

<b>Air bubble agreement -- with 24 countries</b>
<b>India</b> has entered into <b>air bubble agreements</b> with Afghanistan, Bahrain, Bangladesh, Bhutan, Canada, Ethiopia, France, Germany, Iraq, Japan, Kenya, Maldives, Nepal, Netherlands, Nigeria, Oman, Qatar, Rwanda, Tanzania, UAE, UK, Ukraine, and the US as per recent updates

Source: MOCA, I-Sec research

## Government of India – guidelines for international travel.

### Before planning for travel:

- Self-declare travel plans in the online portal 72 hours before the travel.
- Give undertaking of mandatory quarantine for 14 days – seven days' institutional quarantine at own cost followed by seven days' home quarantine.
- Travelers can seek exemption from institutional quarantine through submission of negative RT-PCR tests, online application to Government for special case considerations.

### On arrival:

- Thermal screening
- Self-declaration form on physical health to be submitted to officials.
- Exempted passengers as per submitted and approved online form will be allowed home quarantine for 14 days. Rest will be taken to institutional quarantine facilities arranged by respective State/UT governments for minimum period of seven days.
- Covid positive or asymptomatic patients will be taken to medical facility as per health control.

*In case of industry/sector reports or a report containing multiple stocks, the rating/recommendation for a particular stock may be based on the last released stock specific report for that company."*

*This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.*

*"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."*

**New I-Sec investment ratings (All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)**

BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

#### ANALYST CERTIFICATION

I/We, Ansuman Deb, MBA, BE; Ravin Kurwa, CA authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com. ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.