

Decoding : Indian Aviation Turbine Fuel Demand & Trends by 2030



Overview of the Report

Indian Aviation Sector witnessing an unprecedented growth in traffic

At nearly 23% growth y-o-y, India is witnessing a double-digit growth in air traffic due to increasing passenger footfalls, making airport terminals operate at their peak capacity. The growth in traffic has been seen in both passenger as well as cargo:

- Indian scheduled airlines carried more than 10 Cr domestic passengers during FY17 against 6.1 Cr in FY14, recording growth of ~19%
- Cargo carried registered over 10% growth to 29.8 Lakh MT in FY16 from 25.3 Lakh MT in FY14

Aviation companies also share the enthusiasm and been hoarding to gain market share. Domestic airline companies on a shopping spree for aircrafts. A rising demand vs supply mismatch is favoring airlines companies to raise fare prices.

Government's focus adds to the growth

Government of India has been instrumental in creating a conducive environment for development of new routes, interconnectivity and promote private sector investments in development and services in aviation sector in India.

New avenues have been created through various policies and initiatives such as National Civil Aviation Policy 2016, UDAN (A regional connectivity scheme), etc. AAI on behalf of MoCA got through a successful first round of bids from airline operator to boost regional connectivity through airlines and helicopter.

UDAN, highlights:

- Regional Connectivity Scheme (RCS) by Ministry of Civil Aviation to connect un-served and under-served airports
 - 31 currently served airports, 12 underserved airports and 27 unserved airports to connect 128 RCS route
 - The RCS routes would cover a length between 200 to 800 km

Which means:

- Revival of 50 airports through infrastructure upgradation of ~ INR 4,500 Cr in the next two years
- ~13 lakh new airline UDAN seats added annually under first round of UDAN for a Viability Gap Funding (VGF) of INR 205 Cr
- Selected airlines to commit that:
 - 50% of the seats on RCS flights to be sold at the specified airfare cap
 - Maintaining a frequency of minimum, three flights per week and maximum seven flights per week.
- Incentives
 - Concessions offered by the Central Government: Excise Duty at the rate of 2% shall be levied on Aviation Turbine Fuel (ATF) drawn by Selected Airline Operators at RCS Airports for RCS Flights for a period of three (3) years from the date of notification of this Scheme.
 - Upon transition to GST, rates will be applicable as determined under GST and exemptions/ concessions shall be given as permissible so that such a reduced level of taxation could ideally be continued.
 - The service tax will be levied at only 10% of the taxable value of tickets for RCS seats for a period of one year.
 - Concessions/Support offered by the respective State Governments at RCS Airports within their States: Reduction of VAT to 1% or less on ATF at RCS Airports located within the State for a period of ten (10) years from the date of notification of this Scheme.
 - Government through its agencies will assist in coordinating with oil marketing companies for provision of fueling infrastructure on best effort basis.

National Civil Aviation Policy 2016-17, highlights:

- Comprehensive policy to accelerate growth of an integrated aviation ecosystem

- Open Skies Air Services Agreement offered to 49 countries and 5 SAARC nations under National Civil Aviation Policy 2016
- 100% FDI allowed in Domestic Scheduled Air Transport, Air Transport Services and Regional Air Transport and 100% FDI allowed under Automatic Route in Brownfield airport projects
- Route Dispersal Guidelines (RDGs) rationalized for domestic operators for connecting remote areas
- No prior Government approval required for Indian scheduled carriers to enter into code share agreements with foreign carriers

Opportunities for small aviation companies driven by Regional Connectivity Scheme

The successful launch of bidding for RCS UDAN routes for Phase 1 saw the following local private airline companies: Airline Allied Services Limited, Turbo Megha Airways Private Limited, SpiceJet, Deccan Charters Pvt Ltd, Airodisha Aviation.

Government awarded 128 routes to 5 airlines under the UDAN scheme. The RCS flights from six RCS airports - Shimla, Nanded, Kandla, Porbandar, Gwalior and Bhatinda have already commenced. Government plans include nearly 398 unserved airports and 16 underserved airports as part of its aviation growth and integration vision.

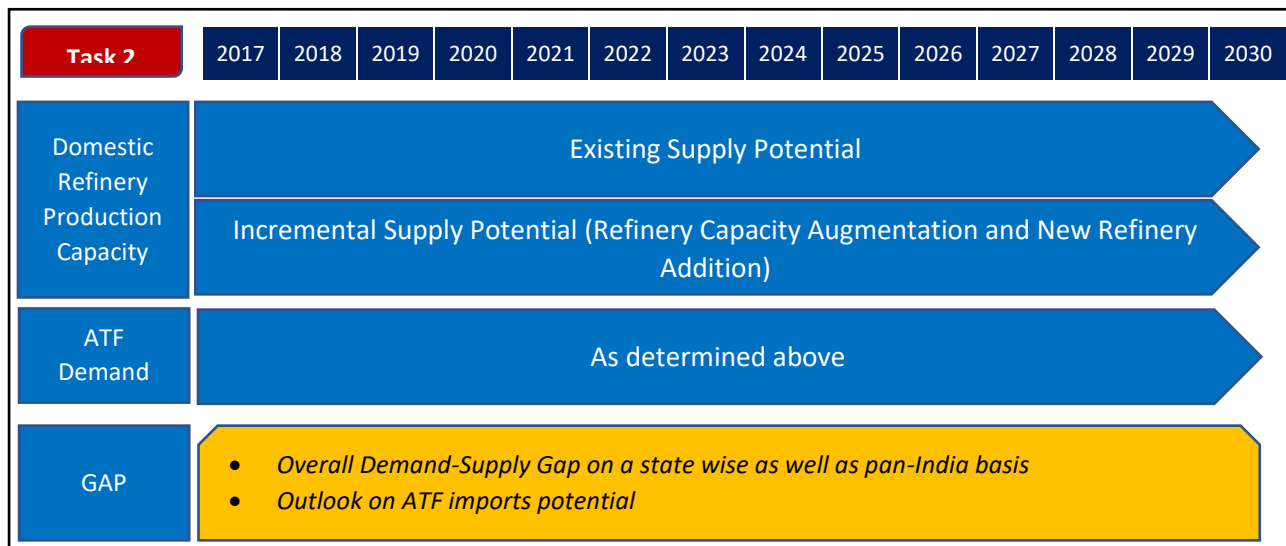
A major upsurge in ATF demand and rising ATF imports

With a boost in business and economic progress, and a greater reliance on air travel over other means of transportation, the overall consumption of ATF rose to 8% CAGR from 5,505 TMT in FY14 to 7,019 TMT in FY17. All the same, India has also started importing ATF since FY15, and there has been a 55% CAGR from 140 TMT in FY15 to 338 TMT in FY17

Research Approach & Methodology

The following high-level approach outlines our approach to the following tasks:

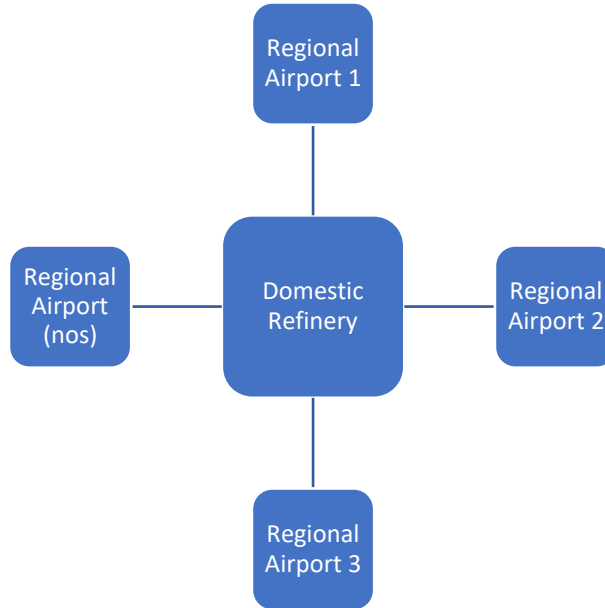
- ✚ **Task 1:** ATF potential demand assessment and growth potential till 2030: Overall and State-wise
- ✚ **Task 2:** ATF Demand-Supply Gap assessment: Overall and State-wise
- ✚ **Task 3:** ATF Supply Chain Outlook for New Regional Airport Terminals: State-wise, based on domestic refineries catering to Regional Airport Terminals (for the identified terminals through RCS Route)



Task 3

ATF Supply Chain Outlook for New Regional Airport Terminals

State wise assessment of ATF Supply Chain



- *High-level outlook on distance between nearest refinery with ATF production capacity to the regional airport*
- *Proximity to nearest ATF/Petroleum Product Pipeline from the regional airport*
- *High-level mapping of regional airport ATF supply-chain challenges & opportunities*

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Key Questions Answered

- What is the existing and evolving market size for ATF in India?
- What is the emerging demand for ATF in India?
- What is the existing competitive landscape for ATF sector in India?
- What are the opportunities for private/parallel marketing companies for ATF in India?
- What are the new demand centres for ATF in India?
- Whether the supply & logistics infrastructure in these demand centres adequately developed to sustain future growth?
- What could be the challenges in the supply chain of ATF in regional airports in India?
- What is the outlook on overall investment potential in ATF in India given the stellar growth in ATF consumption?

Target Audience(s)

Our target audience is significantly diverse and ranges from thought leadership seekers/market speculators to those looking for an independent intelligence before committing their resources or capital. Our laundry list includes:

Target audience	Reasons to subscribe
Aviation Companies	Aviation companies are hoarding to retain and maximize their market shares. The report outlines the new opportunities and provides an independent insight on the changing aviation fabric of the country
ATF Importers & Suppliers	ATF availability and its supply chain will be a center stage as Indian aviation sector grows even bigger and more regional. The report does a deep dive into the evolving demand for ATF through mapping of new regional terminals and new demand
PSUs	
Government Agencies/Policy Makers	The report will be vital for the Government and its policy making agencies who have the mandate of achieving the end objective of promoting aviation as an accessible means of transportation
Banks/Financing Institutions/ Investors	The report provides an independent analysis of the opportunities and competitive challenges associated with ATF demand growth, which will be crucial in existing & future valuations and investment decisions.