

Media Coverage

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The National	12 July 2020	Online	https://www.thenational.ae/business/india-s-airlines-struggling-to-clear-pandemic-related-turbulence-1.1047478	India's Airlines Struggling To Clear Pandemic-Related Turbulence



India's airlines are facing their most severe headwinds yet, with the impact of the coronavirus pandemic threatening to push some of them out of business, analysts and industry insiders say.

"Most Indian airlines will be seen fighting to survive," says Kanika Tekriwal, the chief executive and founder of JetSetGo Aviation, a platform for private jets.

"Even after the resumption of domestic travel, the demand is not picking up, due to natural concerns of passengers regarding their safety. Operators are running out of cash and facing a really hard time."

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Consultancy Capa Centre for Aviation expects Indian airlines to lose \$3 billion to \$4 bn (Dh11bn-Dh14.7bn) dollars in the current financial year, to the end of March 2021.

"This would be by far the largest loss in Indian aviation history," according to a recent report by the consultancy. "If the second quarter is a washout as expected, and the third quarter and fourth quarter remain soft due to a combination of weak customer

confidence and economic distress, market exits are inevitable. Strategic consolidation may result in India being a two-to-three airline market."

To avoid this consolidation, it says Indian airlines require \$3bn-\$3.5bn to recapitalise – excluding major player IndiGo.

Capa also forecasts that the workforce in the aviation sector will be reduced by 30 per cent.

The aviation industry contributes \$72bn to India's gross domestic product and its domestic air market in the world has been the fastest growing in the world, according to government data.

But this growth has been hit hard by the pandemic.

"The sector's facing an unprecedented task in keeping afloat the aviation industry," says Vasanth Rajasekaran, partner at Phoenix Legal, an Indian law firm.

After two months of closure, the Indian government allowed airlines to resume domestic operations at 33 per cent of passenger capacity, a limit which was last month increased to 45 per cent. But international operations remain suspended and there is no clarity on when these services will resume.

Coronavirus infections in India are continuing to surge, with the total number of confirmed Covid-19 cases at 820,916 on Saturday, according to Johns Hopkins University, which is tracking figures globally.

Even before the coronavirus pandemic – which meant that airlines had to ground their fleets in March because of a nationwide lockdown and a ban on international and domestic passenger flights – the sector was facing turbulence.

There are six major airlines in India, including the country's flag carrier Air India, and budget carriers GoAir, SpiceJet and IndiGo, which is India's largest airline.

Recent years have seen cut-throat competition between India's airlines, which pushed fares on some routes to rock bottom prices. Combined with high taxes and operating costs, this made for a challenging environment to generate profits.

All of these factors contributed to Jet Airways ceasing operations last year as it went bankrupt.

And the state of the industry is such that the government's efforts to sell off debt-laden Air India have failed to attract many bidders ahead of a deadline of August 31.