

Airports in India 2017 Market Overview, Opportunities and Outlook

Airports in India -Market Demand, Growth, Opportunities and Analysis Of Top Key Player Forecast To 2022

PUNE, MAHARASHTRA, INDIA, November 9, 2017 /EINPresswire.com/ -- [Airports in India](#)

Description

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The Big Picture

- The growing domestic market, along with continued liberalisation of policy and regulation, and the National Civil Aviation Policy (NCAP) in place, has set India's aviation sector on a robust growth path.
- At present, India is the ninth largest aviation market in the world, and is likely to be the third largest by 2020.
- Factors such as greater affordability, declining air fares, increased competition among airlines, greater use of technology, growing fleet size, etc., have aided the sector's growth in recent times.
- Budget 2017-18 allocated Rs 51.68 billion to the Ministry of Civil Aviation (MoCA), marking a 22 per cent increase in the budget expenditure from Rs 42.30 billion in 2016-17. However, from the revised estimate of 2016-17, it is a decline of about 1 per cent.

Surge in Activity

- The past few years have been positive for the Indian aviation sector, with passenger and freight traffic growth being maintained, and new routes opening up under the regional connectivity scheme (RCS). The budget allocation to the sector has increased, and most airlines are reporting operating profits.
- The year 2016-17 saw India emerge as the fastest growing major aviation market, aided by economic growth and low fuel prices. After increasing by 18.3 per cent in 2016-17 vis-a-vis 2015-16, passenger traffic growth is being sustained during 2017-18.
- During the first four months of 2017-18 (April-July), passenger traffic at Indian airports increased by 14.5 per cent over the same period in 2016-17, by recording footfalls of around 96.8 million passengers. Meanwhile, during the first four months of 2017-18 (April-July), cargo traffic

at Indian airports increased by 14.8 per cent over the same period in 2016-17.

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Policy Impetus: On the Right Track

- On the policy front the biggest development, the biggest development has been the successful launch of the RCS under the purview of the National Civil Aviation Policy (NCAP). In the first round of RCS, Ministry of Civil Aviation (MoCA) awarded 128 regional routes to five airlines – Alliance Air, SpiceJet, Turbo Megha, Air Odisha and Air Deccan.
- While Air Alliance has been awarded 15 routes, giving it access to five un-served and two under-served airports; Air Deccan has got 34 routes to 10 un-served and five under-served airports; and Air Odisha has won 50 routes.
- The government has received more than Rs 11.5 million towards the RCF fund. MoCA started collecting the levy from scheduled airlines operating in major routes to raise money for the fund from December 1, 2016.
- In a separate development, airport charges have increased, with AAI increasing charges by 5 per cent at non-major metro airports from April 1, 2017. Accordingly, the passenger service fee, which is charged as a part of air ticket fare, has been increased from Rs 85 per passenger currently to Rs 89 in 2017-18 and subsequently to Rs 93 in 2018-19 and Rs 98 per passenger in 2019-20.
- The Indian airline industry has grown significantly over the years. The combined fleet size of Indian carries has increased from 355 in 2012 to 464 in 2017 (as of March). Jet Airways, Air India, and Indigo are the major fleet holders, accounting for over 75 per cent of the industry's total fleet count.
- The financial performance of airlines improved during 2015-16, with five major carriers, including Air India, reporting operating profits. The trend is expected to be maintained in 2016-17.
- However, the Union Cabinet has accorded 'in-principle' approval for the divestment of stakes in Air India. The cabinet has formed a group under the Ministry of Finance to work out the modalities of the strategic sale of the airline. The group will also decide the quantum of divestment.

Trending– Capacity Growth

- Mounting passenger traffic unmatched by a proportionate increase in capacity has led to severe congestion at airports. The metro airports such as Hyderabad, Bengaluru and Mumbai have utilisation rates of over 100 per cent, while Delhi is nearing saturation. Nevertheless, steps are being undertaken to augment capacity. AAI has drawn a capital expenditure plan of Rs 175 billion for the five-year period from 2015 to 2020. This covers upgradation and expansion of existing airports.
- Recently, new terminal buildings were inaugurated at the Vadodara, Vijayawada and Cochin. Besides, a new cargo terminal was inaugurated at the Mumbai Airport, while the new Bathinda Airport in Punjab was inaugurated in December 2016.

- Bids were invited for the construction/expansion/upgradation works at Nagpur (upgradation as a passenger and cargo hub), Jaipur, Vijayawada, Mangalore, New Pune (consultant), Rajkot Airport, Agartala airport etc.
- Among metro airports, Phase II expansion works on Bengaluru's Kempegowda International Airport have commenced at an estimated cost of Rs 40 billion. The expansion includes construction of the second terminal (T2) and a parallel runway.
- Delhi International Airport Limited sought environmental clearance for the Delhi airport expansion project, at an investment of Rs 160 billion. Further, environmental clearance has been granted for the Mumbai Airport T2 Terminal Upgradation Project, and recommended for Hyderabad airport expansion project.
- The long awaited Mopa International Airport (Goa) and Navi Mumbai International Airport, have both been bid out to GMR Airports Limited and GVK Power & Infrastructure Limited respectively. Once Phase I of these airports are commissioned, it will add a capacity of around 15 mppa.

Technology Initiatives and Online Portals – To Expedite Development

- Both AAI and private airport operators are paying increased attention to introducing new technologies to optimally use existing space and enhance passenger facilitation at airports.
- The technologies have been introduced across all segments of airport operations, namely CNS, passenger convenience, security, sustainability, etc.

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