

INDIAN AVIATION INDUSTRY

**Flying on a budget: A comparison of
India's low-cost airlines and their
global counterparts**

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Despite elevated fuel expenses, Indian LCCs such as IndiGo have maintained higher OPM as compared to the LCCs in Europe and North America over the last two years. This has been supported by lower employee costs, and airport and navigation charges.



The airlines industry, globally is characterised by high fixed costs (includes aircraft ownership cost, employee cost, airport and navigation charges, aircraft maintenance and part of the fuel expenses), with around 50-55% of the total operating costs of low-cost carriers (LCCs) being fixed in nature.



Despite elevated fuel expenses, Indian LCCs such as IndiGo have maintained higher operating profit margins (OPM) than the LCCs in Europe and North America over the last two years. This has particularly been supported by lower employee costs and airport and navigation charges.



Indian airlines face higher fuel costs than European and North American airlines due to high taxation (0-29% for Indian airlines vis-à-vis less than 2.5% for European and North American airlines) on aviation turbine fuel (ATF), limited fuel price hedging, shorter average flight stage lengths, and the impact of depreciation of the Indian Rupee against the USD.



However, employee costs (as % of revenues) for Indian LCCs are lower than those in North America and Europe. Labour unions in North America and Europe have a greater influence on wage negotiations, which leads to higher employee compensation. Additionally, global carriers typically face higher expenses related to pension contributions, social charges and medical insurance, as compared to their Indian counterparts.



The airport and navigation charges as a percentage of revenues are comparable for Indian and North American LCCs and tend to be around 7-9%. In contrast, European LCCs typically now bear much higher airport-related costs as they operate through a mix of secondary and high-cost primary airports.



Indian LCC – Indigo – operates one of the largest aircraft fleet among global LCCs, surpassing most international peers in fleet capacity, except for giants like Southwest Airlines and Ryanair. With a substantial pending aircraft order, IndiGo is transitioning from a capacity-constrained structure to a high-growth phase, aiming to match the scale of leading global LCCs over the next decade.

1 Comparison of Cost Structures



2 Comparison of Passenger Load Factors of Major LCCs



3 Fleet Size and Pending Aircraft Deliveries for Major LCCs



4 Operational Peer Comparison





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