Industry Report on Air Ticketing Solutions

For TSC Travel Services Private Limited

30 August 2024

Disclaimer

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Global Macroeconomic Scenario

The global economy, which grew by 3.3% in 2023, is expected to record a sluggish growth of 3.2% in 2024 before rising modestly to 3.3% in 2025. Between 2021 – 2022, global banks were carrying a historically high debt burden after COVID-19. Central banks took tight monetary measures to control inflation and spike in commodity prices. Russia's war with Ukraine further affected the global supply chains and inflated the prices of energy and other food items. These factors coupled with war-related economic sanctions impacted the economic activities in Europe. Any further escalation in the war may further affect the rebound of the economy in Europe.

While China, the largest manufacturing hub of world, was facing a crisis in the real estate sector and prices of properties were declining between 2020 - 2023, with the reopening of the economy, consumer demand is picking up again. The Chinese authorities have taken a variety of measures, including additional monetary easing, tax relief for corporates, and new vaccination targets for the elderly. The Chinese Government took several steps to help the real estate sector including cracking down on debt-ridden developers, announcing stimulus for the sector and measures to encourage the completion and delivery of unfinished real estate projects. The sector is now witnessing investments from developers and demand from buyers.

Global headline inflation is set to fall from an estimated 6.8% in CY 2023 to 5.8% in CY 2024 and to 4.4% in CY 2025. This fall is swifter than anticipated across various areas, amid the resolution of supply-related problems and tight monetary policies. Reduced inflation mirrors the diminishing impact of price shocks, particularly in energy, and their subsequent influence on core inflation. This decrease also stems from a relaxation in labour market pressure, characterized by fewer job openings, a slight uptick in unemployment, and increased labour availability, occasionally due to a significant influx of immigrants.

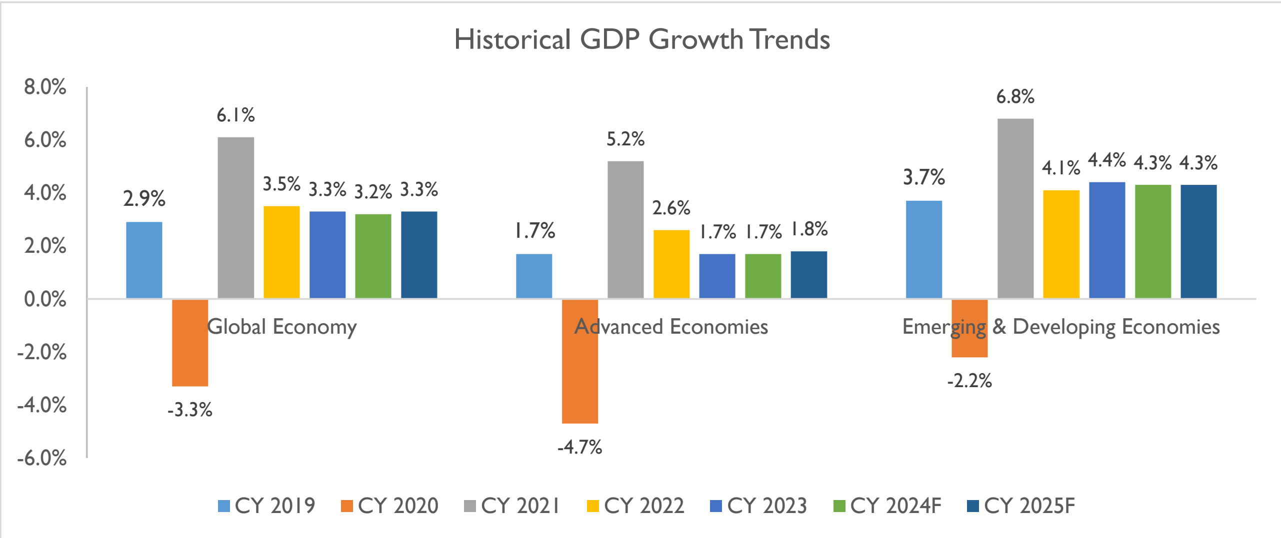
Global GDP Growth Scenario

The global economy started to rise from its lowest levels after countries started to lift the lockdown in 2020 and 2021. The pandemic lockdown was a key factor as it affected economic activities resulting in a recession in the year CY 2020, as the GDP growth touched -3.3%.

In CY 2021 disruption in the supply chain affected most of the advanced economies as well as low-income developing economies. The rapid spread of Delta and the threat of new variants in mid of CY 2021 further increased uncertainty in the global economic environment.

Global economic activities experienced a sharper-than-expected slowdown in CY 2022. One of the highest inflations in decades, seen in 2022, forced most of the central banks to tighten their fiscal policies. Russia’s invasion of Ukraine affected the global food supply resulting in a further increment in the cost of living.

Further, despite initial resilience earlier in 2023, marked by a rebound in reopening and progress in curbing inflation from the previous year's highs, the situation remained precarious. Economic activity lagged behind its pre-pandemic trajectory, particularly in emerging markets and developing economies, leading to widening disparities among regions. Numerous factors are impeding the recovery, including the lasting impacts of the pandemic and geopolitical tensions, as well as cyclically-driven factors such as tightening monetary policies to combat inflation, the reduction of fiscal support amidst high debt levels, and the occurrence of extreme weather events. As a result, global growth declined from 3.5% in CY 2022 to 3.3% in CY 2023.

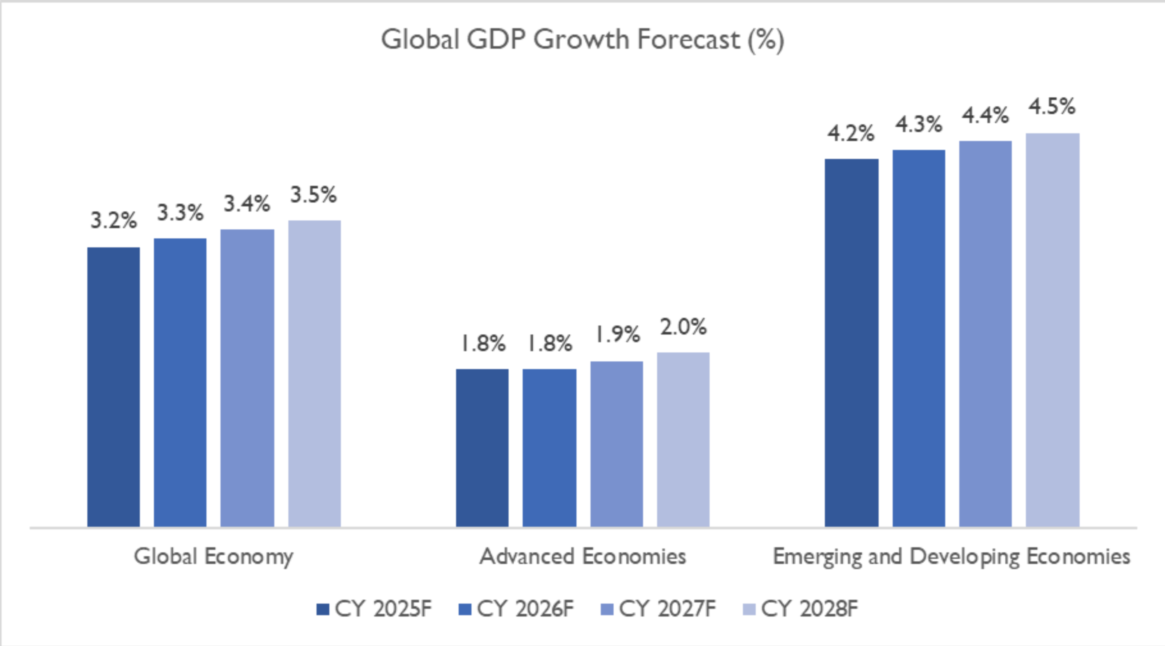


Source – IMF Global GDP Forecast Release July 2024

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict criteria, economic or otherwise, and it has evolved over time. It comprises of 40 countries under the Advanced Economies including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected countries from the Euro Zone (Germany, Italy, France etc.). The group of emerging market and developing economies (156) includes all those that are not classified as Advanced Economies (India, China, Brazil, Malaysia etc.)

In the current scenario, global GDP growth is estimated to have recorded a moderate growth of 3.3% in CY 2023 as compared to 3.5% growth in CY 2022. While high inflation and rising borrowing costs are affecting private consumption, on the other hand, fiscal consolidation is affecting government consumption.

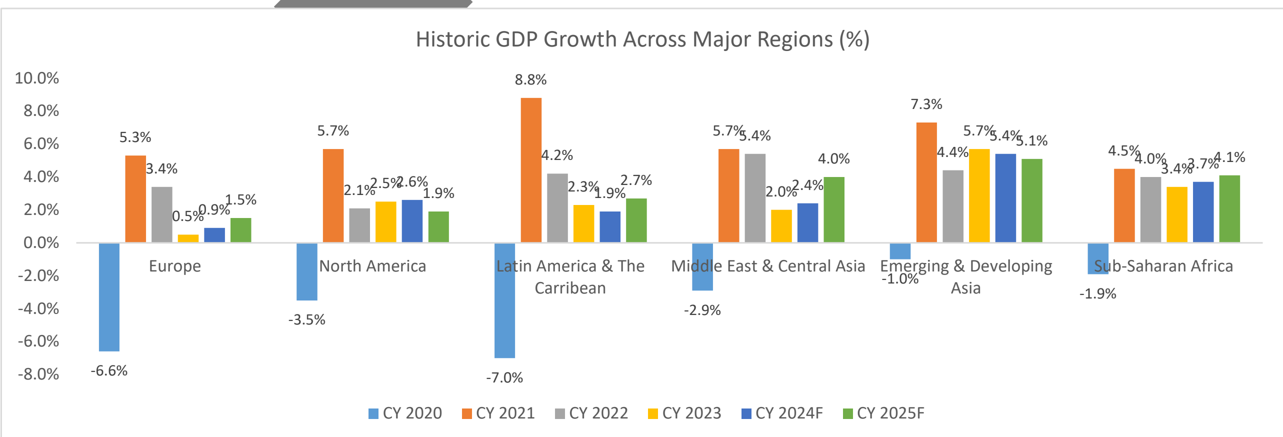
Slowed growth in developed economies will affect the GDP growth in CY 2024 and global GDP is expected to record a flat growth of 3.2% in CY 2024. The crisis in the housing sector, bank lending, and industrial sectors are affecting the growth of global GDP. Inflation forced central banks to adopt tight monetary policies. After touching the peak in 2022, inflationary pressures slowly eased out in 2023. This environment weighs in for interest rate cuts by many monetary authorities.



Source – IMF Global GDP Forecast Release 2024, D&B Estimates

GDP Growth Across Major Regions

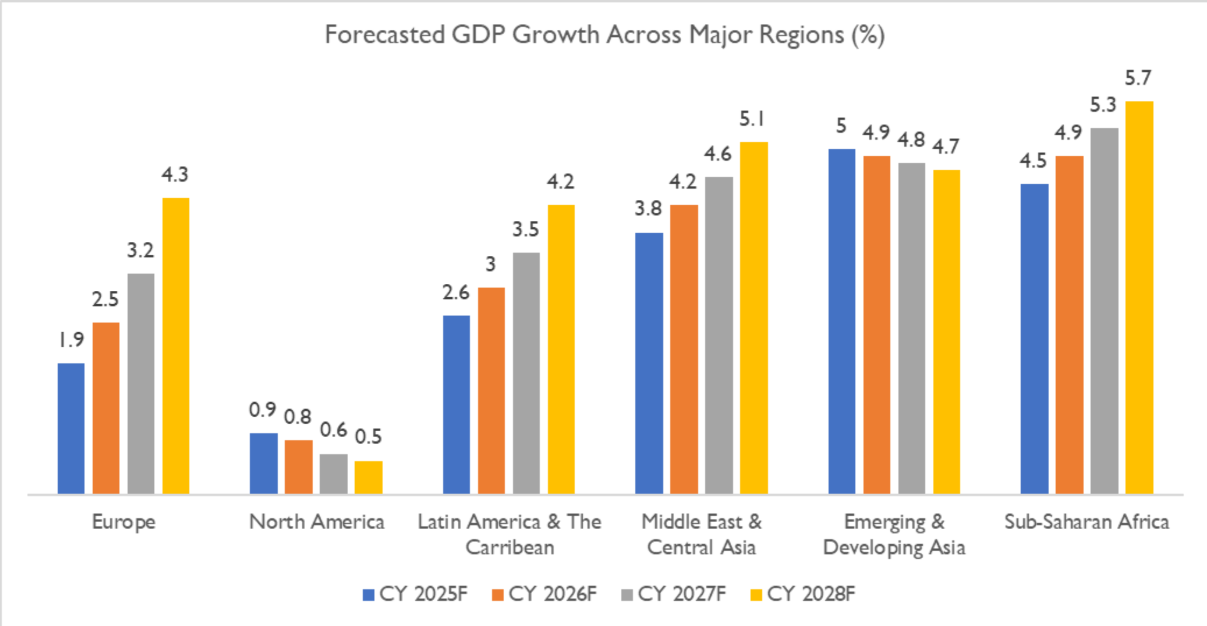
GDP growth of major regions including Europe, Latin America & The Caribbean, Middle East & Central Asia, and Sub-Saharan Africa, were showing signs of slow growth and recession between 2020 – 2023, but leaving Latin America & The Caribbean, 2024 is expected to show resilience and growth. Meanwhile, GDP growth in Emerging and Developing Asia (India, China, Indonesia, Malaysia etc.) is expected to decrease from 5.4% in CY 2023 to 5.2% in CY 2024, while in the United States, it is expected to decrease from 2.5% in CY 2023 to 2.1% in CY 2024.



Source-IMF World Economic OutlookJuly 2024 update

Except for Emerging and Developing Asia, Latin America & The Caribbean and the United States, all other regions are expected to record an increase in GDP growth rate in CY 2024 as compared to CY 2023. GDP growth in Latin America & The Caribbean is expected to decline due to negative growth in Argentina. Further, growth in the United States is expected to come down at 2.1% in CY 2024 due to lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand.

Although Europe experienced a less robust performance in 2023, the recovery in 2024 is expected to be driven by increased household consumption as the impact of energy price shocks diminishes and inflation decreases, thereby bolstering real income growth. Meanwhile, India and China saw greater-than-anticipated growth in 2023 due to heightened government spending and robust domestic demand, respectively. Sub-Saharan Africa's expected growth in 2024 is attributed to the diminishing negative impacts of previous weather shocks and gradual improvements in supply issues.



Source-IMF, OECD, and World Bank, D&B Estimates

Global Economic Outlook

At the midpoint of the year, so far in 2024 we have seen divergence in outcomes and prospects around the world in terms of economic growth, inflation, and policy responses. On balance, global short-term economic prospects have improved over the course of the year. We expect this momentum to continue through the second half of 2024 and into 2025 as inflation eases further and monetary policy continues to loosen, supporting steady growth. Macroeconomic risks, in our view, have become more balanced.

The U.S. has performed better than other developed economies, particularly those in Europe where the consumer sentiment has been relatively weak – though the picture in Europe has been varied. A sustained recovery in tourism this year has boosted the economies of Greece and Spain, whereas Germany, France, and Italy have been held back by the slower recovery of manufacturing. Nonetheless, the European Central Bank (ECB) lowered the three key interest rates in June – for the first time since September 2019 – which will support stronger regional growth.

Growth in the Chinese Mainland has held up well so far this year despite challenges from the property market amid ongoing rebalancing, and the export cycle is supporting growth in the rest of Asia. In Latin America, larger economies, such as Brazil and Mexico, tend to be performing more moderately than smaller economies, such as Chile and Peru, indicating slower regional growth overall.

Globally, industrial production has been relatively sluggish because of restrictive trade policies, persistent supply chain disruptions, high interest rates, and anemic growth. We expect industrial production to gather steam later this year and into 2025 on the back of a gradual recovery in global trade, stimulated by stronger domestic demand for goods.

Policy responses have diverged so far this year and are set to remain so in the near term. Central banks have begun rate cutting cycles in several developed economies, including the Eurozone, Canada, Sweden, and Switzerland. However not every economy has followed suit. Disinflation has not been as predictable as it was in 2023, and underlying price pressures mean inflation is likely to remain bumpy this year – hence, policy will remain more restrictive than was anticipated at the start of the year. With relatively stronger economic growth and stickier inflation, the timing of the first interest rate cut by the U.S. Federal Reserve (the Fed) and the onward path of interest rates remains ambiguous.

The global economy is showing signs of stabilizing, yet growth will remain subdued this year before picking up pace in 2025. We forecast global growth of around 2.5% in 2024, half a percentage point softer than in the decade following the financial crisis. The weaker outlook reflects fiscal consolidation, lagged tight monetary policy, restrictive trade policies, and elevated levels of geopolitical uncertainty. Looking ahead to 2025, global growth is likely to pick up slightly to 2.8% as the impact of these factors declines and stronger growth becomes more entrenched.

Emerging economies look set for softer growth in general this year. On a regional basis, growth is likely to be markedly slower in Eastern Europe, but only slightly softer in Asia Pacific and Latin America, with growth only moderately slower in key economies such as the Chinese Mainland, India, and Brazil. Outcomes in developed economies are also mixed but largely remain subdued because of tight policy settings.

India Macroeconomic Analysis

GDP Growth Scenario

India's economy showed resilience with GDP growing at 8.2% in CY 2023. The GDP growth in CY 2023 represents a return to pre pandemic era growth path. Even amidst geopolitical uncertainties, particularly those affecting global energy and commodity markets, India continues to remain one of the fastest growing economies in the world.

Country	Real GDP Growth (CY 2023)	Projected GDP Growth (CY 2024)	Projected GDP Growth (CY 2025)
India	8.20%	7.00%	6.50%
China	5.20%	5.00%	4.50%
Russia	3.60%	3.20%	1.50%
Brazil	2.90%	2.10%	2.40%
United States	2.50%	2.60%	1.90%
Japan	1.90%	0.70%	1.00%
Canada	1.20%	1.30%	2.40%
Italy	0.90%	0.70%	0.90%
France	1.10%	0.90%	1.30%
South Africa	0.70%	0.90%	1.20%
United Kingdom	0.10%	0.70%	1.50%
Germany	-0.20%	0.20%	1.30%

Source: World Economic Outlook, July 2024

Countries considered include - Largest Developed Economies and BRICS (Brazil, Russia, India, China, and South)

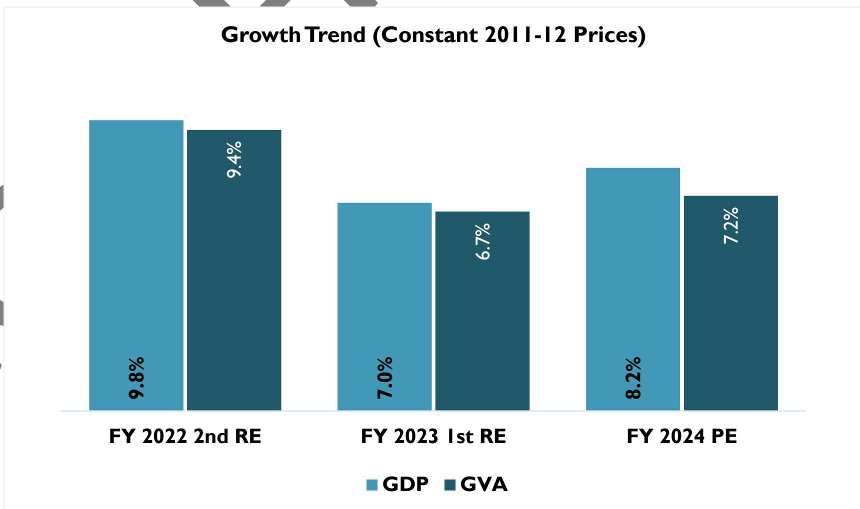
Countries have been arranged in descending order of GDP growth in 2023).

There are few factors aiding India's economic recovery – notably its resilience to external shocks and rebound in private consumption. This rebound in private consumption is bringing back the focus on improvements in domestic demand, which together with revival in export demand is a precursor to higher industrial activity. Already the capacity utilization rates in Indian manufacturing sector are recovering as industries have stepped up their production volumes. As this momentum sustains, the country may enter a new capex (capital expenditure) cycle. The universal vaccination program by the Government has played a big part in reinstating confidence among the population, in turn helped to revive private consumption.

Realizing the need to impart external stimuli, the Government stepped up its spending on infrastructure projects which in turn had a positive impact on economic growth. The capital expenditure of the central government increased by 37.4% increase in capital expenditure (budget estimates), to the tune of INR 10 trillion in the Union Budget 2023-2024. The announcement also included a 30% increase in financial assistance to states at INR 1.3 trillion for capex. The improvement was accentuated further as the Budget 2024-2025 announced an 11.1% increase in the capital expenditure outlay at INR 11.11trillion, constituting 3.4% of the GDP. This has provided much-needed confidence to the private sector, and in turn, attracted private investment.

On the lending side, the financial health of major banks has witnessed an improvement which has helped in improving the credit supply. With capacity utilization improving, there would be demand for credit from the corporate sector to fund the next round of expansion plans. The banking industry is well poised to address that demand. Underlining the improving credit scenario is the credit growth to the micro, small, and medium enterprise (MSME) sector as the credit outstanding to the MSME sector by scheduled commercial banks in the fiscal year 2024 grew by 14% to INR 10.31 trillion compared to INR 9.02 trillion as on 24 March 2023. The extended Emergency Credit Linked Guarantee Scheme (ECLGS) by the Union Government has played a major role in improving this credit supply.

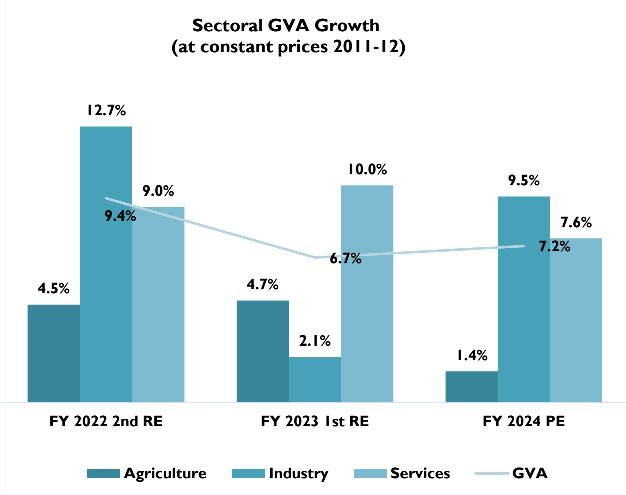
As per the provisional estimates 2023-24, India's GDP in FY 2024 grew by 8.2% compared to 7.0% in the previous fiscal on the back of solid performances in manufacturing, mining, and construction sectors. The year-on-year increase in growth rate is also partly due to by a strong growth in investment demand led by public capital expenditure.

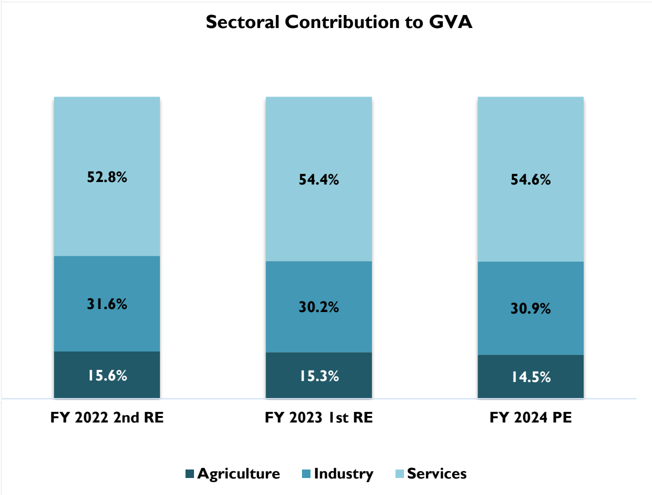


Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics, 2023-24

RE stands for Revised Estimates, SAE stands for Second Advance Estimates

Sectoral Contribution to GVA and annual growth trend





Source: Ministry of Statistics & Programme Implementation (MOSPI)

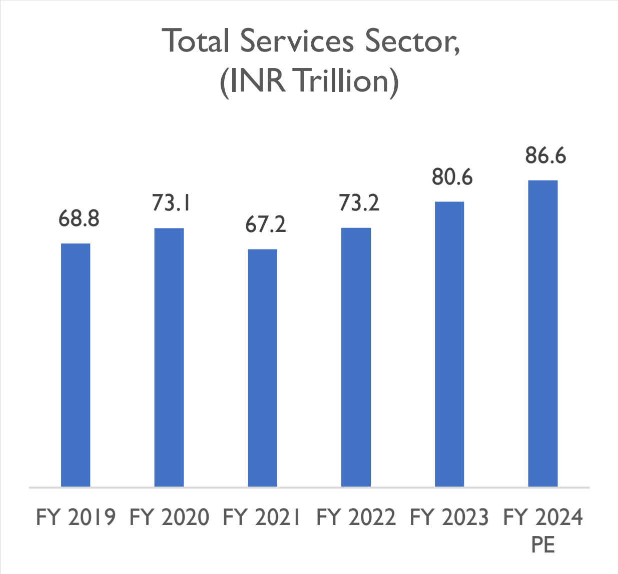
Sectoral analysis of GVA reveals industrial sector recovered sharply registering 9.5% y-o-y increase in FY 2024 against 2.1% in the previous fiscal. In the industrial sector, growth across major economic activity such as mining, manufacturing and construction sector rose significantly and it registered a growth of 7.1%, 9.9% and 9.9% in FY 2024 against a y-o-y change of 1.9%, -2.20%, and 9.44% in FY 2023, respectively. Utilities sector observed a marginal moderation in y-o-y growth to 7.5% against 9.44% in the previous years.

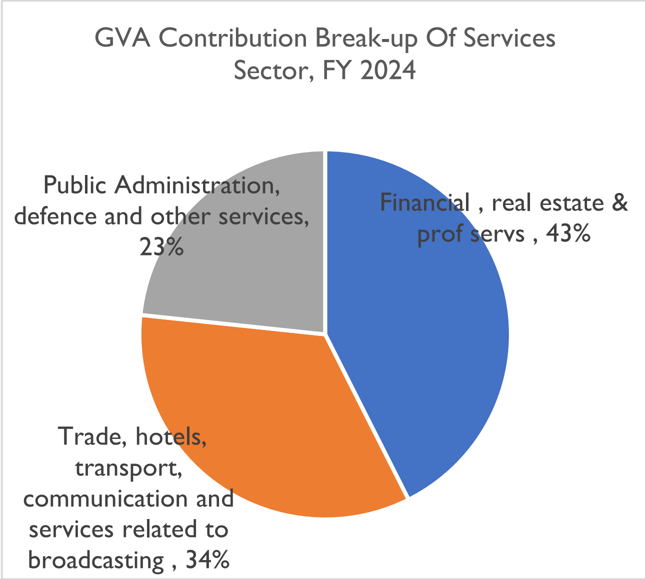
Talking about the services sector's performance, with major relaxation in covid restriction, progress on COVID-19 vaccination and living with virus attitude, business in the service sector gradually returned to normalcy in FY 2023. Economic recovery was supported by the service sector as individual mobility returned to the pre-pandemic level. The trade, hotel, transport, communication, and broadcasting segment continued to strengthen in FY 2023 and grow in FY 2024, although the growth hasn't shown substantial increases. In FY 2024, services sector grew by 7.6% against 10% y-o-y growth in the previous year.

Expansion in Service Sector

Services sector is a major contributor to the country's overall economic growth. In absolute terms, services sector GVA has increased from INR 68.78 trillion in FY 2019 to INR 86.6 trillion in FY 2024 (as per the provisional estimated), registering a CAGR of nearly 5%. Within Services sector, the GVA by financial, real estate and professional services-the largest contributing segment observed 6.3% CAGR while Public Administration, defence and other services[1] observed 4.5% CAGR and Trade, hotels, transport, communication, and services related to broadcasting witnessed 3.1% CAGR between FY 2019-24.

[1] Other services include Education, Health, Recreation, and other personal services.





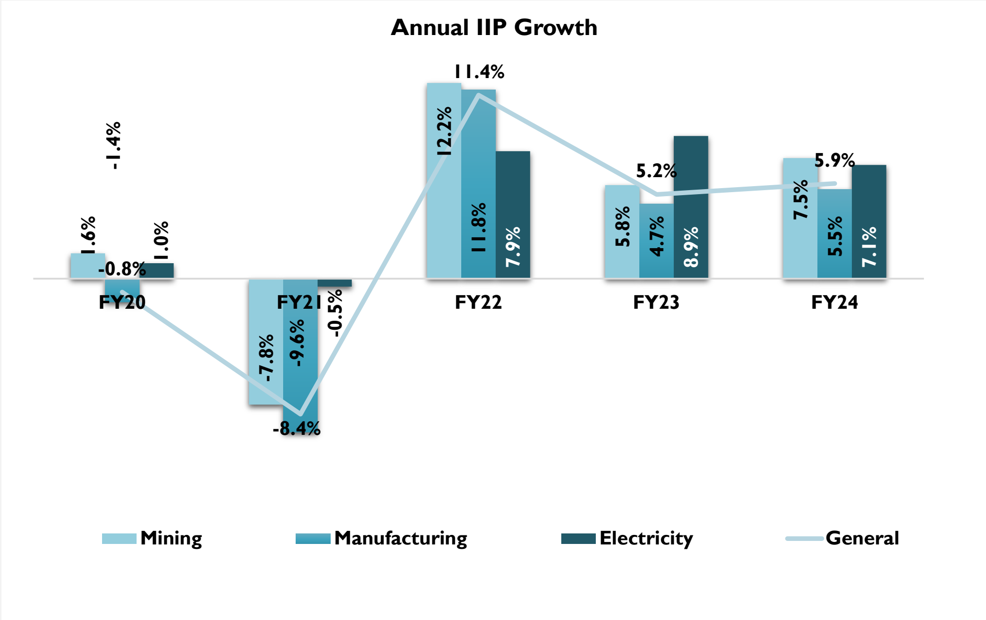
Sources: MOSPI, CMIE Economic Outlook and Dun & Bradstreet Research Estimates[2]

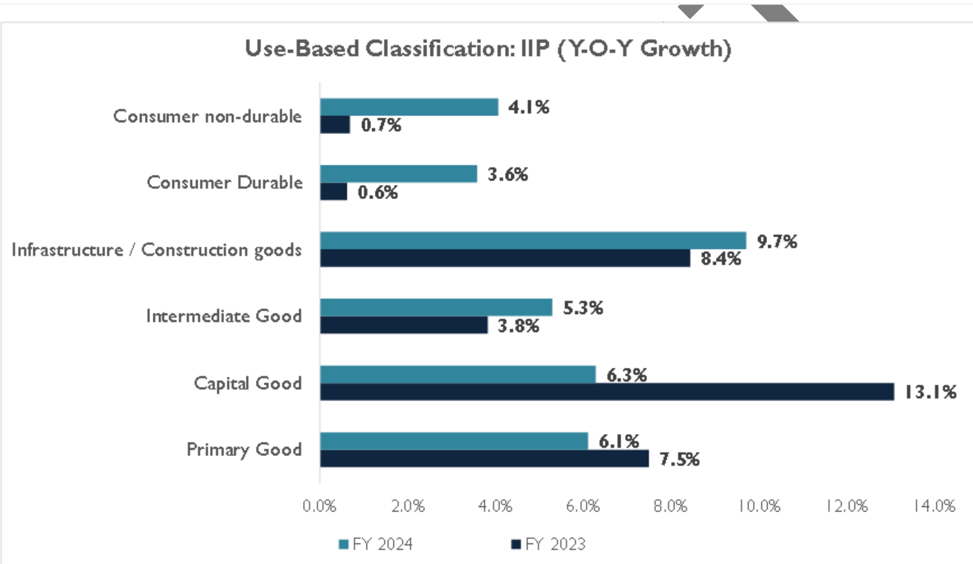
India's HSBC Services Purchasing Managers' Index, an important indicator to track service sector performance, measured 60.3 in July 2024 against 60.5 in the previous month. Since August 2021, the services sector has consistently remained above the threshold of 50, which distinguishes growth from contraction.

IIP Growth

Industrial sector performance as measured by IIP index; in FY 2024 it is growing at 5.9% (against 5.2% in FY 2023). Previously IIP index exhibited temporary recovery in FY 2022 from the low of Covid induced slowdown in industrial growth during FY 2020 and FY 2021. Manufacturing index, with 77.6% weightage in overall index, grew by 5.5% in FY 2023 against 4.7% y-o-y growth in FY 2022 while mining sector index too grew by 7.5% against 5.8% in the previous years. Mining & manufacturing both shown improvement according to previous except the Electricity sector Index, witnessed an improvement of 7.1% against 8.9% in the previous year.

[2] Projection as Based on CMIE Growth rate till FY 2029 and FY 2030 is based on Dun & Bradstreet assumption.

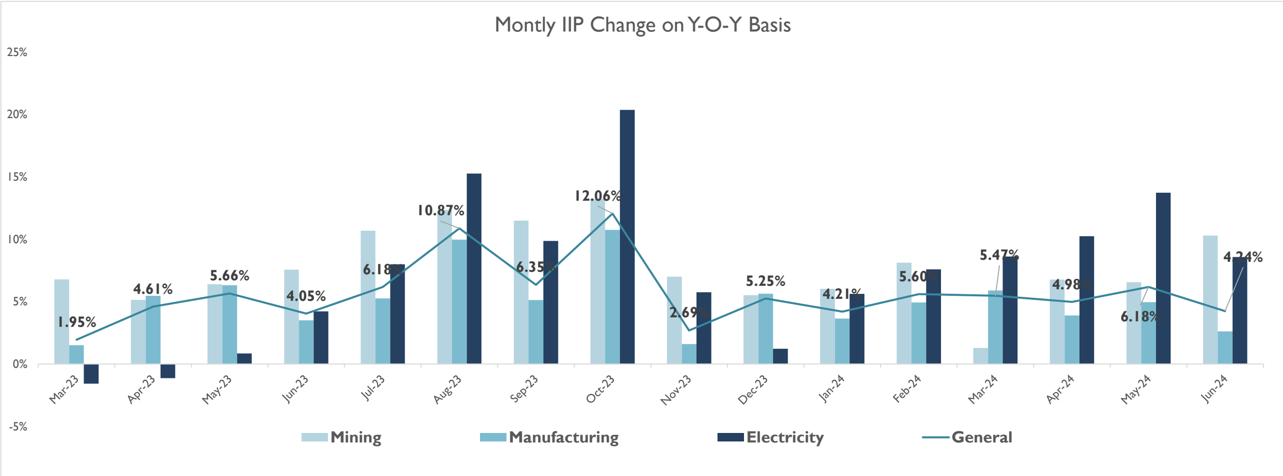




Source: Ministry of Statistics & Programme Implementation (MOSPI)

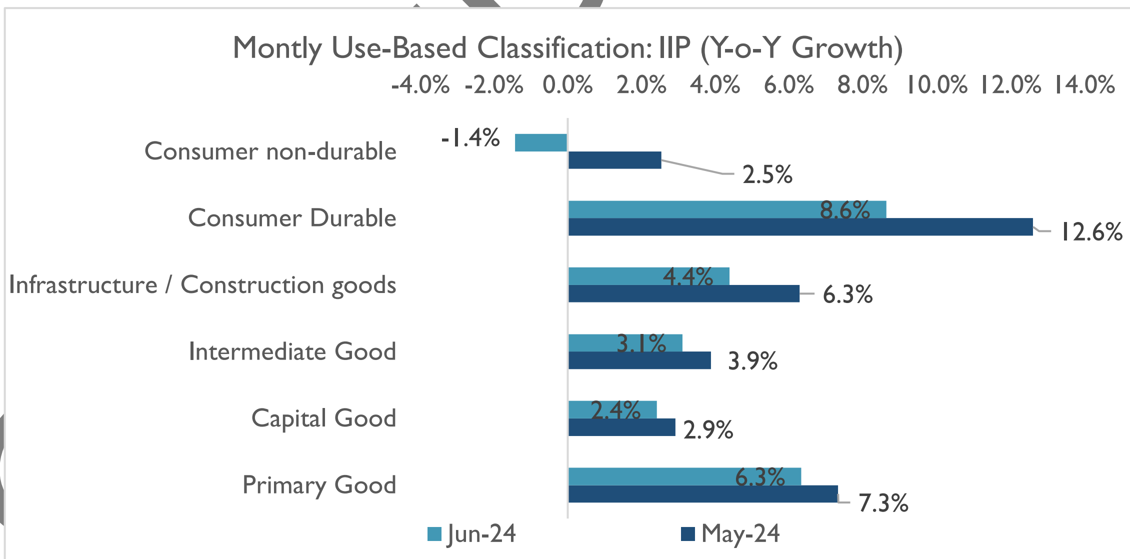
As per the use-based classification, most of the segments has shown growth for FY 2024 as compared to FY 2023. Capital good and primary goods were segments which faced less growth as compared to previous year. The contracting IIP data points towards adverse operating business climate as global headwinds, high inflation, and monetary tightening cumulatively impacted the broader industrial sector performance. In contrast all the segments except the above two have shown growth.

Monthly IIP Growth Trend



Source: Ministry of Statistics & Programme Implementation (MOSPI)

In the current fiscal FY 2025, the monthly IIP measured index has reported steady improvement over the last fiscal. However, the IIP index slowed to a 5-month low and just grew by 4.24% y-o-y in June against 6.18% in the previous month on the back of slowing growth in the manufacturing section. In June 2024, the manufacturing index growth slowed to 2.6% against 6.3% y-o-y growth in June 2023 and 5% in May 2023 while the electricity sector index and mining index exhibited substantial improvement and they grew by 8.6% and 10.3% in June 2024 against 0.9% and 6.4% growth in April 2023, respectively.

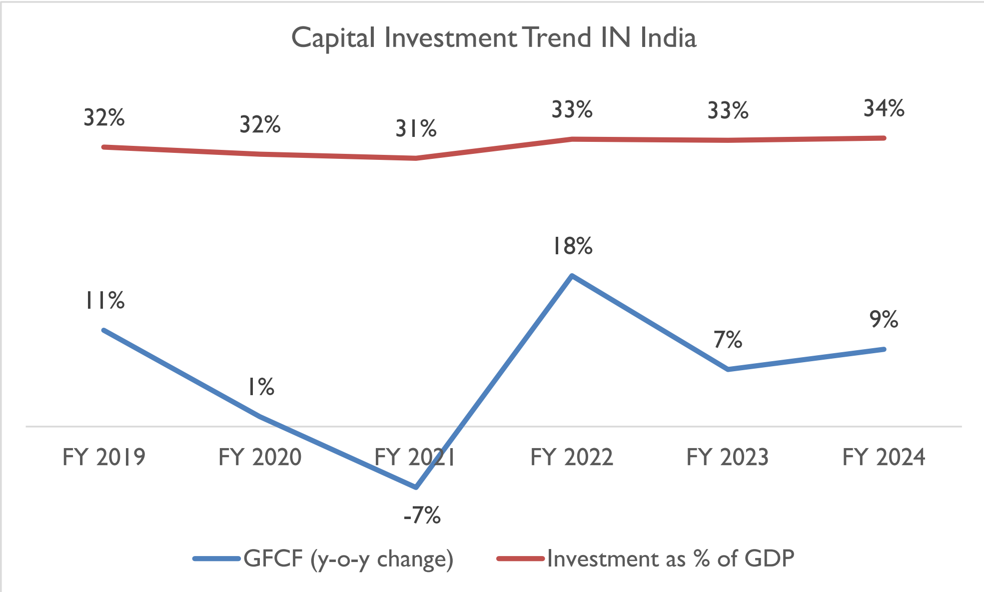


Sources: MOSPI

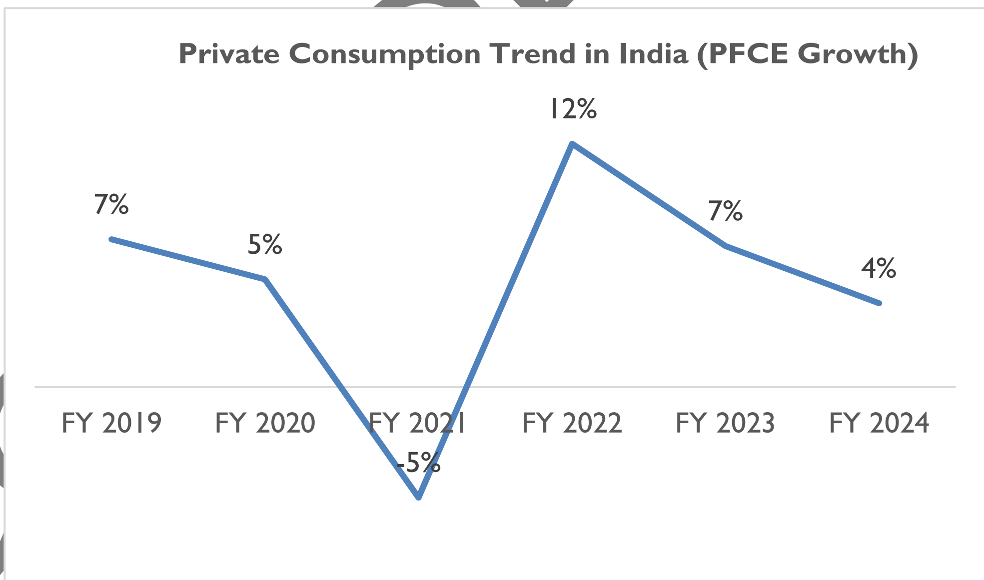
As per the use-based classification, growth in all segments slowed in June 2024 as compared to the previous month. Consumer non-durable declined by 1.4% in June 2024 against 2.5% increase in the previous month. In May 2024, all segments showed a substantial increase in growth.

Investment & Consumption Scenario

Other major indicators such as Gross fixed capital formation (GFCF), a measure of investments, gained strength during FY 2024 as it grew by 9% on a y-o-y basis against 7% yearly growth in the previous fiscal, while GFCF to GDP ratio measured an all-time high settled higher at 34%.



Sources: MOSPI

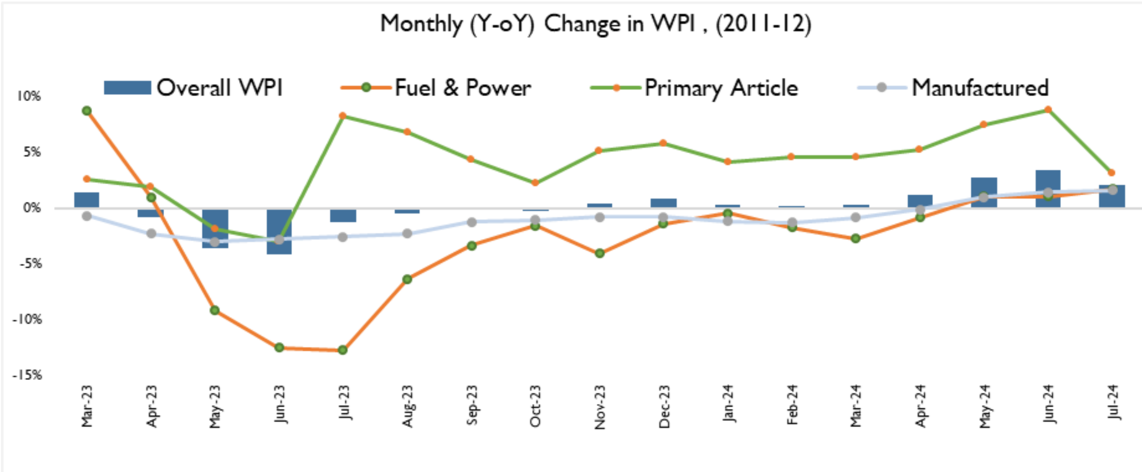


Sources: MOSPI

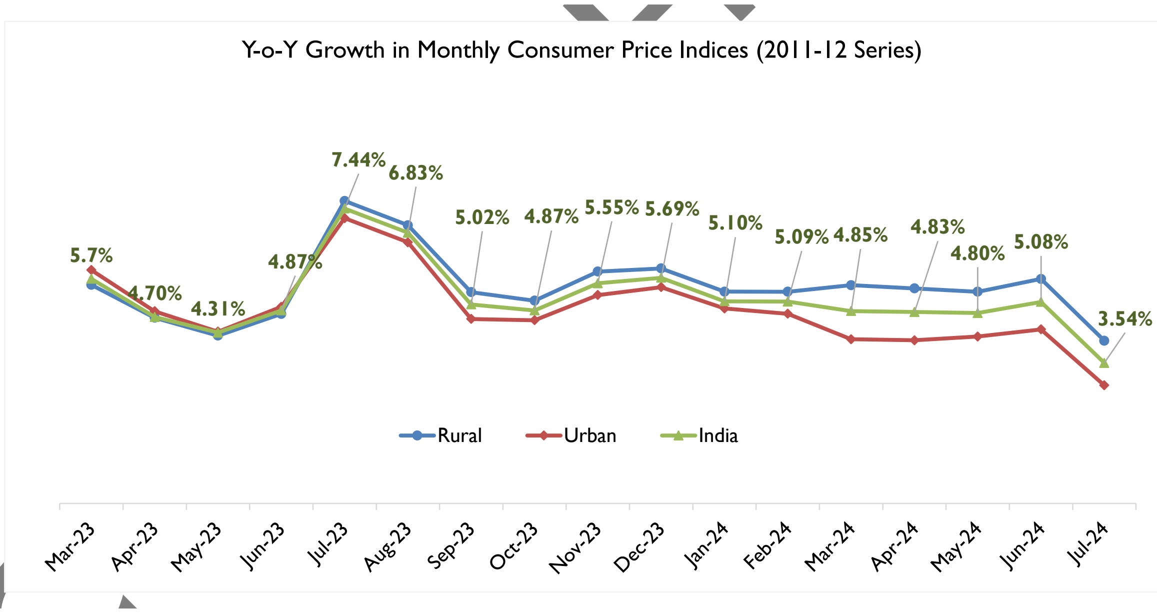
Private Final Expenditure (PFCE) a realistic proxy to gauge household spending, observed decelerated and registered 4% y-o-y growth in FY 2024 against 7% in FY 2023.

Inflation Scenario

The inflation rate based on India's Wholesale Price Index (WPI) exhibited significant fluctuations across different sectors from March 2023 to July 2024. Overall WPI saw a sharp decline to -1.2% in July 2023, primarily driven by steep drops in Fuel & Power and Manufactured Products, reflecting reduced global demand and falling input costs. However, a recovery was noted by June 2024, with WPI reaching 3.4%, supported by a strong rise in Primary Articles and a rebound in Fuel & Power prices. By July 2024, while Primary Articles growth moderated to 3.1%, the WPI remained positive at 2.0%, indicating stabilization in the market after earlier volatility.



Source: MOSPI, Office of Economic Advisor.



Source: CMIE Economic Outlook

Retail inflation rate (as measured by the Consumer Price Index) in India showed notable fluctuations between March 2023 and July 2024. Rural CPI inflation peaked at 7.63% in July 2023, before declining to 4.10% in July 2024. Urban CPI inflation followed a similar trend, rising to 7.20% in July 2023 and then dropping to 2.98% in July 2024. Overall, the national CPI inflation rate increased to 7.44% in July 2023 but moderated to 3.54% by July 2024, indicating a gradual easing of inflationary pressures across both rural and urban areas over the period. CPI measured below 6% tolerance limit of the central bank since September

2023. As a part of an anti-inflationary measure, the RBI has hiked the repo rate by 250 bps since May 2022 to the current 6.5% while it has been holding the rate at 6.5% since 8 Feb 2023.

India's Growth Outlook

India's economy has exceeded expectations, registering an 8.2% growth in FY24. High-frequency indicators such as automobile sales, e-way bills, cargo traffic, and exports signal sustained growth momentum into Q2 FY25. However, the rural demand outlook is tied to the monsoon, where inconsistent rainfall could impact the agriculture sector and inflation. The government is proactively boosting grain storage capacity to mitigate these risks. On the credit front, the Reserve Bank of India (RBI) has kept the policy rate unchanged, with inflation expected to average around 5% in FY25. Despite stable policy rates, lending rates may rise due to the incomplete transmission of earlier hikes, while strong credit growth in the private sector suggests potential capacity expansion. Supply-side challenges persist, particularly in food storage infrastructure. The government has launched a massive initiative to enhance grain storage capacity by 70 million tonnes over the next five years. The recent long-term agreement for operating Iran's Chabahar Port is also set to bolster trade and supply chain resilience.

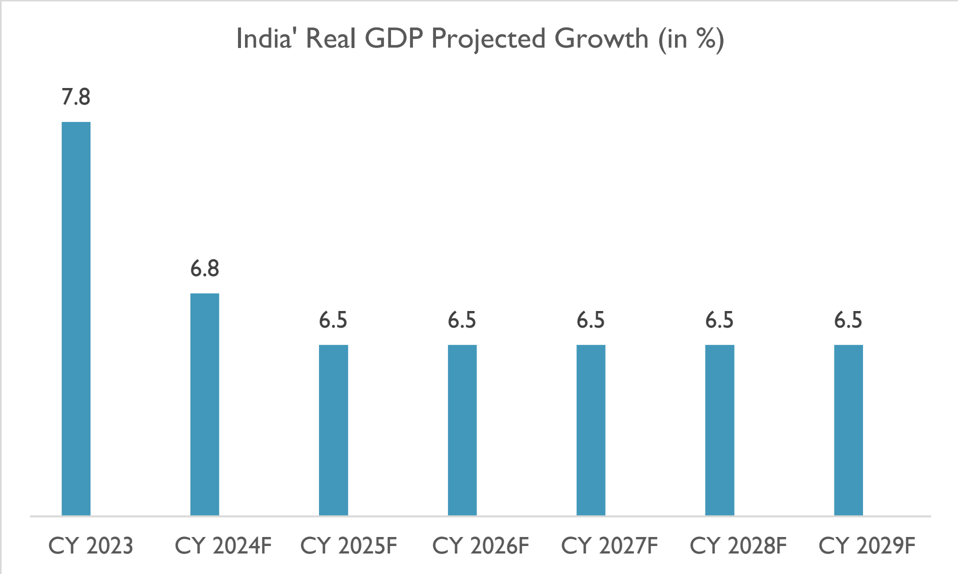
In terms of trade, India's recent agreements, particularly with the European Free Trade Association (EFTA) and Oman, are opening new markets and opportunities for exports. The proposed mega-distribution hub in the UAE by 2025 will further support India's global trade ambitions, particularly in Africa, Europe, and the US.

Politically, the continuation of the National Democratic Alliance (NDA) government signals sustained reforms, with optimism around labour and land reforms. The government is also taking steps to control retail inflation by managing food prices and import duties. The external environment remains cautious, with geopolitical tensions, particularly in Gaza, posing potential risks to global stability.

Overall, India's short-term growth outlook remains positive, underpinned by strong domestic demand, proactive government measures, and expanding global trade relationships, despite some challenges in the rural economy and supply chain infrastructure.

India's Projected Economic Growth

Looking ahead to 2024, India's projected GDP growth of 6.8% in 2024 stands out as the fastest among major emerging markets, significantly outpacing China's 4.6%, and Brazil's 2.2%. This robust growth trajectory is expected to sustain at 6.5% annually from 2025 to 2029, reflecting strong economic fundamentals and continued momentum.



Source: IMF

This decent growth momentum in near term (CY 2024) is accompanied by a slowdown in inflation, as well as various other factors in the medium to long term that will support the economy. These include enhancements in physical infrastructure, advancements in digital and payment technology, improvements in the ease of doing business and a higher quality of fiscal expenditure to foster sustained growth.

On the demand side, improving employment conditions and moderating inflation are expected to stimulate household consumption. Further, the investment cycle is gaining traction, propelled by sustained government capital expenditure, increased capacity utilization and rising credit flow. Additionally, there are positive signs of improvement in net external demand, as reflected in the narrowing merchandise trade deficit. Despite the supply disruptions, exports clocked positive y-o-y growth in December 2023 and January 2024.

From uplifting the underprivileged to energizing the nation's infrastructure development, the Government has outlined its vision to propel India's advancement and achieve a 'Viksit Bharat' by 2047 in the interim budget announced on 1st Feb 2024. Noteworthy positives in the budget include achieving a lower-than-targeted fiscal deficit for FY2024 and setting a lower-than expected fiscal deficit target for FY2025, proposing dedicated commodity corridors and port connectivity corridors, providing long-term financing at low or nil interest rates to the private sector to step up R&D (Research & Development) in the sunrise sectors.

Achieving a reduced fiscal deficit of 5.8% in FY2024 and projecting a lower than-anticipated fiscal deficit of 4.9% as announced in the interim budget in July 2024 for the current fiscal year (FY 2025) are positive credit outcomes for India. This showcases the country's capability to pursue a high-growth trajectory while adhering to the fiscal glide path. There has been a significant boost to capital expenditure for two consecutive years; capital expenditure – which is budgeted at 3.4% of GDP (INR 11.1 trillion/USD 134 billion) for fiscal year 2024-25 – is at a 21-year high (3.3% of GDP in fiscal year 2023-24. The enhancement of port connectivity, coupled with the establishment of dedicated commodity corridors (energy, mineral and cement), is poised to enhance manufacturing competitiveness. This strategic move aims to fulfil India's export targets and reduce logistics costs.

India's optimistic economic outlook is underpinned by its demographic dividend, which brings a substantial workforce that boosts labor participation and productivity. The burgeoning middle class and urbanization contribute to increased domestic consumption, driven by rising incomes and purchasing power. Extensive investments in infrastructure, encompassing roads, railways, ports, and digital connectivity, are enhancing productivity and efficiency, with government initiatives like the Smart Cities Mission and PM Gati Shakti creating a conducive growth environment. This digital transformation, catalyzed by initiatives such as Digital India, is fostering a tech-driven economy marked by enhanced internet penetration, digital payments, and e-governance, thereby fueling growth in sectors like fintech, e-commerce, and digital services. The push to position India as a global manufacturing hub through Make in India and PLI (Production Linked Incentive) schemes is further boosting industrial output, exports, and domestic production capabilities. Compared to other major emerging markets facing demographic and economic challenges, India's combination of demographic strengths, policy reforms, and strategic initiatives positions it as a standout performer and a significant driver of global economic growth in the foreseeable future.

Some of the key factors that would propel India's economic growth.

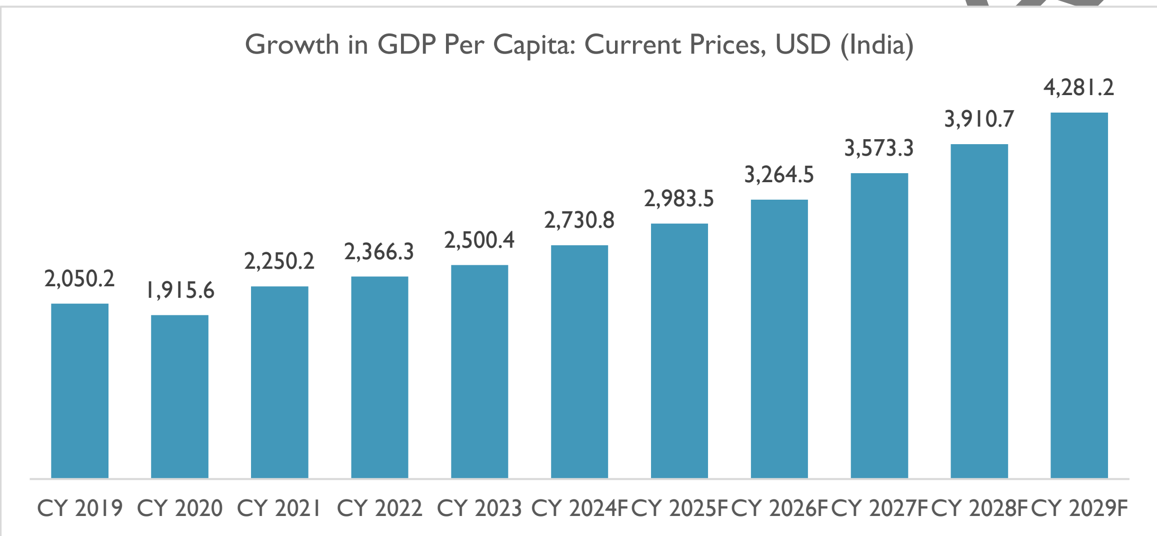
Strong Domestic Demand

Domestic demand has traditionally been one of the strong drivers of Indian economy. After a brief lull caused by Covid-19 pandemic, the domestic demand is recovering. Consumer confidence surveys by Reserve Bank / other institutions points to an improvement in consumer confidence index, which is a precursor of improving demand. India has a strong middle-class segment which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. PFCE as a percentage of GDP increased to 58% during FY 2022 and FY 2023 while in FY 2024 it settled at 56%. There are two factors that are driving this domestic demand: One the large pool of consumers and second the improvement in purchasing power. As per National Statistics Office (NSO), India's per capita net national income (at constant prices) stood at INR 1.06 lakhs in FY 2024 against 99,404 in FY 2023 and 87,623 in FY 2018. This increase in per capita income has impacted the purchasing pattern as well as disposable spending pattern in the country. Consumer driven domestic demand is majorly fueled by this growth in per capita income.

India's Per capita GDP trends

India is poised to become the world's third-largest economy with a projected GDP of USD 5 trillion within the next three years, driven by ongoing reforms. As one of the fastest-growing major economies, India currently holds the position of the fifth-largest economy globally, following the US, China, Japan, and Germany. By 2027-28, it is anticipated that India will surpass both Germany and Japan, reaching the third-largest spot. This growth is bolstered by a surge in foreign investments and a wave of new trade agreements with India's burgeoning market of 1.4 billion people. The aviation industry is witnessing unprecedented orders, global electronics manufacturers are expanding their production capabilities, and suppliers traditionally concentrated in southern China's manufacturing hubs are now shifting towards India.

To achieve its vision of becoming the world's third-largest economy by 2027-28, India will need to implement transformative industrial and governmental policies. These policies will be crucial for sustaining the consistent growth of the nation's per capita GDP over the long term.



Source: IMF

From CY 2024-29, India's per capita GDP is projected to grow at a compound annual growth rate of 9.4%. This growth will be driven by the service sector, which now accounts for over 50% of India's GDP, marking a significant shift from agriculture to services.

Digitization Reforms

Ongoing digitization reforms and the resultant efficiency gains accrued would be a key economic growth driver in India in the medium to long term. Development of digital platforms has helped in the seamless roll out of initiatives like UPI (Unified Payments Interface), Aadhaar based benefit transfer programs, and streamlining of GST (Goods and Services Tax) collections. All of these have contributed to improving the economic output in the country. Some of the key factors that have supported the digitization reforms include – the growth in internet penetration in India together with drop in data tariffs, growth in smartphone penetration, favorable demographic pattern (with higher percentage of tech savvy youth population) and India's strong IT (Information Technology) sector which was leveraged to put in place the digital ecosystem. All these factors are expected to remain supportive and continue to propel the digitization reforms in India.

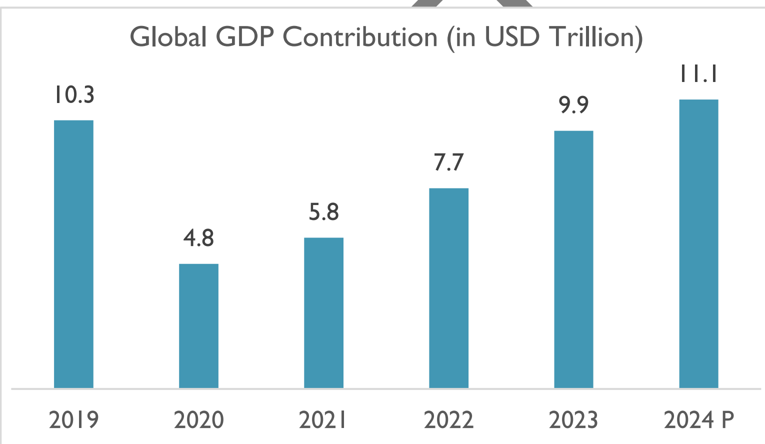
Increased adoption of digital technology and innovation, inclusive and sustainable practices, business-friendly and transparent regulations, and heightened corporate research and development (R&D) investments will further bolster the country's growth. These factors will collectively support employment growth across both private and public sectors, including micro, small, and medium enterprises (MSMEs).

Global Travel & Tourism Industry

The global tourism industry, once a cornerstone of economic stability, is experiencing a robust resurgence. Before the pandemic, travel and tourism were responsible for one in five new jobs and contributed 10.4% to global GDP, underpinning 334 Mn jobs worldwide. In 2019, international visitor spending reached USD1.86 trillion, representing 6.8% of global exports.

Contribution to Global Economy

Despite the pandemic's severe impact, the sector has been making a notable recovery. In the year 2022, the Travel & Tourism's contribution to global GDP grew by 22%, reaching USD 7.7 trillion. This figure, while still 23% below the 2019 peak, demonstrates a significant rebound given the ongoing challenges of inflation, staff shortages, and persistent COVID-19 restrictions. The strongest recovery has been observed in Latin America, North America, and Europe, which are approaching pre-pandemic levels. In 2022, the sector generated 21.6 Mn new jobs, bringing the total to 295 Mn, and supported one in eleven global jobs. International travel also showed encouraging signs, with spending up 82% to USD1.1 trillion, although this remains 40% below 2019 figures.



Source World Travel & Tourism Council

The sector's GDP is projected to grow by 23.3%, reaching 9.2% of the global economy, with its value expected to climb to USD9.5 trillion, only 5% shy of the 2019 peak. The recovery will be bolstered by China's reopening and continued growth in Latin and North America. The sector is anticipated to create 24 Mn new jobs, raising the total to 320 Mn, and international spending is forecast to increase by 23% to USD 1.36 trillion.

However, the industry must address challenges such as inflation, economic uncertainty, labour shortages, and climate change. A concerted effort to enhance capacity, connectivity, and sustainability will be crucial for continued growth. As the sector progresses, it remains essential for policymakers and industry leaders to prioritize sustainability and the responsible management of resources to ensure long-term success and resilience.

Global Air Travel Trends

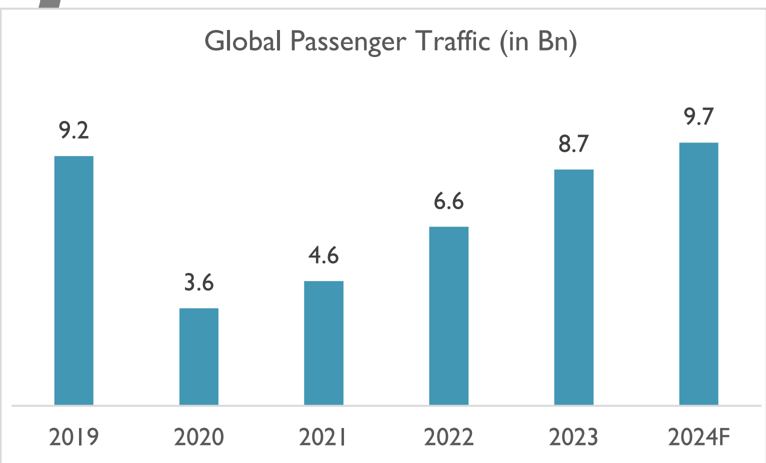
The global air travel industry is undergoing a complex recovery and transformation post-COVID-19, with varying recovery speeds across regions. Key trends include a heightened focus on sustainability, with airlines adopting sustainable aviation fuels and more efficient aircraft to reduce carbon emissions. Digitalization is reshaping the industry, as airlines invest in technologies to enhance customer experience and optimize operations.

The rise of low-cost carriers, especially in emerging markets, is altering the competitive landscape, while shifts in business travel patterns due to remote work are impacting travel demand. Rapid growth in air travel in countries like China and India is driving significant investments in airport infrastructure, reflecting the industry's ongoing evolution and strategic priorities. Global passenger traffic has experienced significant fluctuations, largely due to the impact of the COVID-19 pandemic.

In 2019, global passenger traffic was robust, reaching 9.2 Bn passengers. However, the onset of the pandemic in 2020 caused an unprecedented drop, with traffic plummeting to just 3.6 Bn, representing a dramatic decline as countries worldwide implemented strict travel restrictions and lockdown measures. As the world began to adapt to the pandemic and vaccination campaigns were rolled out, a gradual recovery in passenger traffic started in 2021, with numbers rising to 4.6 Bn.

The recovery gained momentum in 2022, with global passenger traffic increasing to 6.6 Bn, a significant rebound from the previous years but still below pre-pandemic levels. By 2023, the recovery became more pronounced, with global passenger traffic expected to reach 8.7 Bn, marking a 31% increase from the previous year. This figure represents 95% of the 2019 levels, indicating that the industry is nearing a full recovery.

The positive trend is expected to continue into 2024, with global passenger traffic projected to surpass the 2019 levels for the first time since the pandemic, and is expected to reach 9.7 Bn. This marks a significant milestone in the aviation industry's recovery, reflecting the sector's resilience and capacity to bounce back from the severe disruptions caused by the pandemic.



Source Airport Council International, F - Forecast.

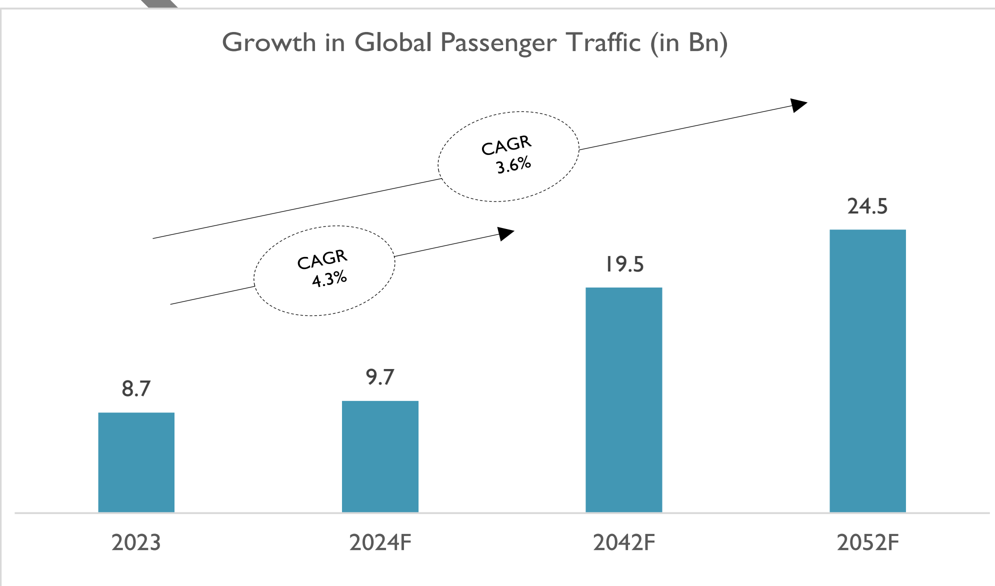
Expected Growth in Air Travel

The global air travel industry is on track for significant growth in the coming years, fuelled by strong demand and a recovery from the COVID-19 pandemic. In 2024, the industry is expected to see notable increases in both passenger numbers and travel distance, reflecting a return to pre-pandemic traffic levels. The Asia Pacific region is set to be a major driver of this growth, contributing a substantial share of the increase in global passenger traffic over the next two decades. This surge in growth is supported by the region's rising connectivity needs.

The industry's expansion is anticipated to continue, supported by increasing disposable incomes, a growing middle class in emerging markets, and the revival of international travel. Additionally, the air cargo sector is projected to experience growth, buoyed by ongoing trends in e-commerce and disruptions in maritime shipping, which are enhancing the demand for air transport of goods. Overall, the airline industry is positioned for a robust recovery and upward trajectory, with strong increases expected in both passenger and cargo traffic.

Global passenger traffic is set to experience substantial growth over the coming decades, with an anticipated CAGR of 4.3% from 2023 to 2042. The recovery will be particularly rapid in the first three years, where a remarkable CAGR of 9.1% is expected from 2023 to 2026. This initial surge will gradually stabilize, converging to a growth rate of 3.6% for the period from 2023 to 2052.

By 2042, global passenger traffic is projected to approach 20 Bn, doubling the numbers forecasted for 2024. This reflects a robust rebound and a significant expansion in global travel. Fast forward to 2052, and the forecasted figures are even more striking, with global passenger traffic expected to reach ~25 Bn. This represents approximately 2.5 times the projected levels for 2024, underscoring the long-term vitality and resilience of the aviation industry.

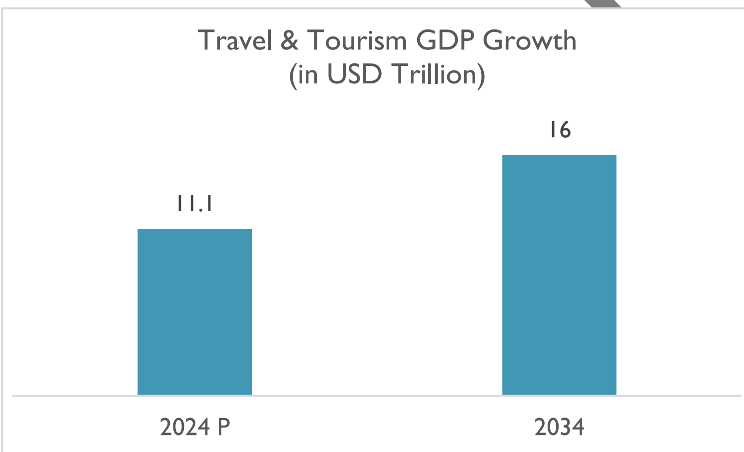


Source Airport Council International, F - Forecast.

Expected Growth in Travel & Tourism Industry

In 2023, the travel and tourism sector contributed approximately USD 9.9 trillion to global GDP, representing around 9.1% of the global economy. This marks a recovery from the pandemic but remains about 4% below the pre-pandemic contribution of 10.4% in 2019. The World Travel & Tourism Council (WTTC) projects that by 2024, the sector's contribution will reach a record USD11.1 trillion, reflecting a significant 21% increase from 2019 levels. This growth underscores the sector's resilience and its critical role in the global economy, driven by factors such as the release of pent-up travel demand, increased international connectivity, and supportive government policies.

The sector is forecast to contribute approximately USD16 trillion to global GDP by 2034, comprising about 11.4% of the global economy. This long-term projection indicates continued robust growth, supported by ongoing travel demands and an expanding global economy. The anticipated increase in the sector's contribution highlights a strong rebound and underscores its importance as a vital component of the global economic landscape.



Source World Travel & Tourism Council

Indian Travel & Tourism Industry

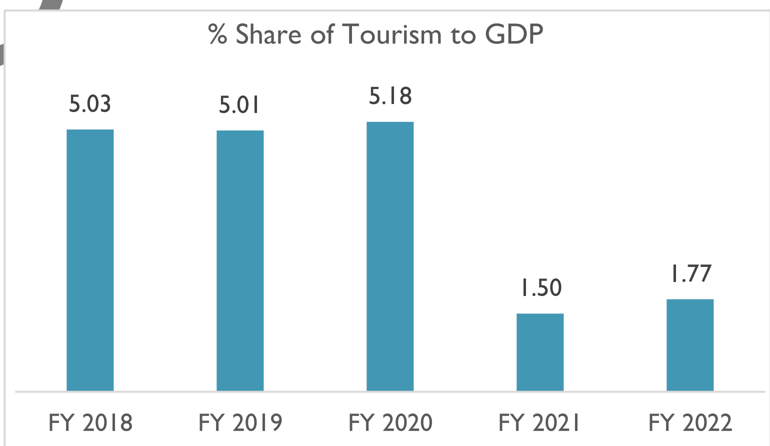
The travel and tourism industry significantly contributes to the Indian economy, serving as a major driver of economic growth and employment. Its impact is multifaceted, influencing various aspects of the economy: The travel and tourism sector are a substantial component of India's GDP. It generates considerable revenue through domestic and international tourism, including spending on accommodation, food, transportation, and recreational activities. The industry's contribution to GDP includes both direct impacts, such as expenditures by tourists, and indirect impacts, like the effects on related industries such as construction, agriculture, and retail.

Contribution to Indian Economy

In FY 2018, tourism contributed 5.03% to India's GDP, reflecting a period of steady growth driven by increased global interest and effective government initiatives. The sector benefited from enhanced infrastructure, promotional efforts, and a growing appeal of India as a travel destination. This stable contribution indicated a thriving tourism industry that was integral to the national economy.

In FY 2019, the contribution slightly decreased to 5.01%, showing a minor dip but maintaining a significant impact on the economy. This stabilization suggests that while the sector continued to grow, the rate of increase had moderated. The tourism industry continued to thrive due to sustained efforts in service expansion and infrastructure development, although external factors like global economic conditions might have influenced this slight decline.

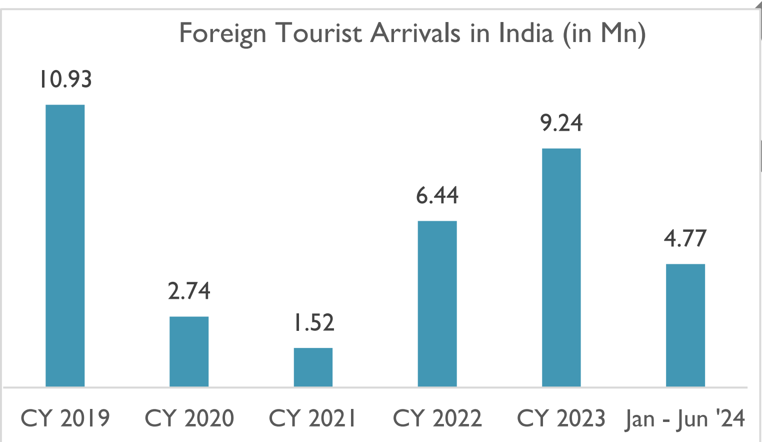
The onset of the COVID-19 pandemic led to a dramatic reduction in tourism's contribution to GDP, plummeting to 1.50% in FY 2021. The pandemic severely disrupted global travel, causing widespread lockdowns and travel restrictions that significantly impacted tourism revenues. By FY 2022, the sector began to show signs of recovery, with the contribution rising to 1.77% as restrictions eased and travel gradually resumed. This marginal increase highlighted the early stages of a rebound, although the sector was still far from pre-pandemic levels, reflecting the long-term impact of the crisis on tourism.



Source: Ministry of Tourism, Annual report 2024

International Tourist Arrivals in India

Approximately 9.2 million international tourists visited India in 2023, registering a 43.4% growth over previous year. Foreign Tourist Arrivals (FTAs) in 2023 to India is estimated to have generated nearly USD 15 Bn in foreign exchange earnings. The trend has continued into 2024, with India recording 4.77 million during January to June 2024 period, up from 4.3 million during the same period in the previous year. Projections for the tourism sector remain optimistic, with expectations that it will continue to play a crucial role in driving India's GDP. By 2028, the industry is anticipated to generate revenue exceeding USD 59 Bn, with FTAs potentially surpassing 30 Mn.



Source: Ministry of Tourism Statistics

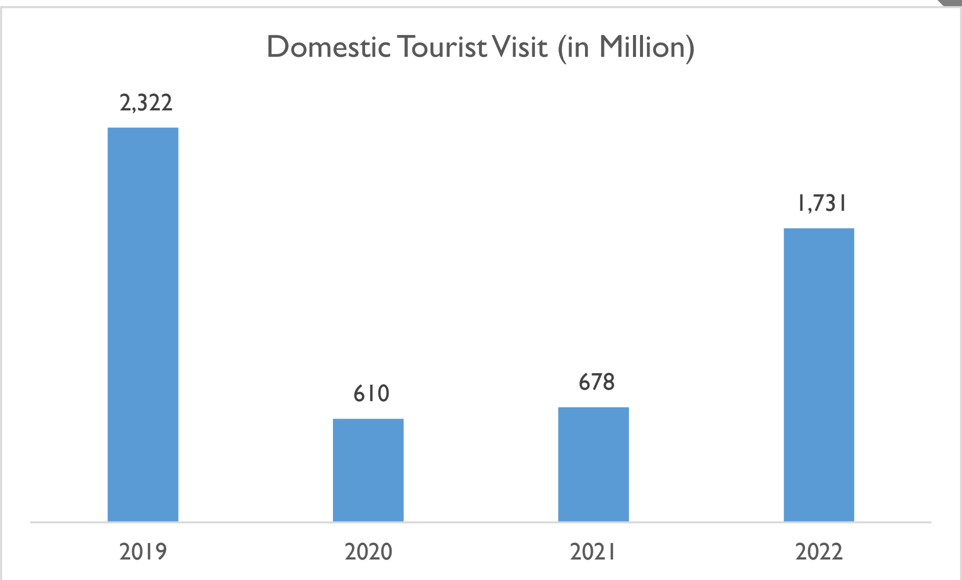
The foreign tourist arrivals in India have experienced significant variations from 2019 through the first four months of 2024, shaped largely by global circumstances and subsequent recovery phases. In 2019, India enjoyed a robust influx of international tourists, amounting to 10.93 Mn arrivals, demonstrating strong global travel demand and effective tourism promotion. However, the onset of the COVID-19 pandemic in 2020 drastically reduced this number to 2.74 Mn, reflecting a 74.9% decrease due to widespread travel restrictions and lockdowns. The downward trend continued into 2021, with arrivals further declining to 1.52 Mn, a 44.5% drop from the previous year, as the pandemic persisted and new variants emerged, causing intermittent lockdowns and continued travel hesitancy.

The year 2022 marked a significant turnaround, with foreign tourist arrivals surging to 6.44 Mn. This 323.7% increase from 2021 can be attributed to widespread vaccination campaigns, the easing of travel restrictions, and a renewed confidence in international travel. The upward trend continued into 2023, with 9.24 Mn foreign tourists visiting India, a 43.5% rise from the previous year. This growth underscores the recovery of international tourism as global travel neared pre-pandemic levels, bolstered by improved travel infrastructure and aggressive marketing efforts.

In the initial six months of 2024, India recorded 4.77 Mn foreign tourist arrivals, suggesting a continued positive trend. Projections based on this rate indicate that India could achieve or surpass its pre-pandemic tourism levels by the end of the year.

Domestic Tourist Travel in India

India's domestic tourism sector has shown notable fluctuations in recent years, primarily influenced by the COVID-19 pandemic. In 2019, domestic tourist visits peaked at 2,322 Mn. However, the pandemic drastically impacted travel, causing a sharp decline in 2020 to just 610 Mn visits, a nearly 74% drop from the previous year. As recovery began, 2021 saw a modest increase to 678 Mn visits, reflecting a gradual return to pre-pandemic levels. The upward trend continued in 2022, with visits surging to 1,731 Mn, signalling a strong resurgence in domestic travel as pandemic restrictions eased.



Source: Ministry of Tourism, Latest data published till 2022

In 2023, India saw a significant resurgence in international tourism, with a substantial increase in the number of foreign tourists visiting the country compared to the previous year. Major states that attracted the highest number of international visitors included Maharashtra, Gujarat, West Bengal, and Delhi. Maharashtra led in this category, followed by Gujarat, West Bengal, and Delhi. On the other hand, some states experienced a much lower influx of international tourists, including Lakshadweep, Haryana, and Chhattisgarh, which saw notably fewer visitors compared to the leading states.

he recovery in both domestic and international tourism highlights the sector's resilience, with domestic tourism rebounding to pre-pandemic levels and international tourist arrivals expected to reach pre-pandemic numbers by 2024. The Indian government has supported this recovery through initiatives such as the Swadesh Darshan scheme, which, since its launch in 2014-15, has sanctioned INR 5,294.11 crore for 76 tourism projects across 14 thematic circuits, with INR 4,865.8 crore already released for implementation.

The recovery in both domestic and international tourism highlights the sector's resilience, with domestic tourism rebounding to pre-pandemic levels and international arrivals on track to reach pre-pandemic numbers by 2024. This robust recovery reflects a strong resurgence in travel and tourism activities across the country, driven by a renewed global interest in India as a travel destination.

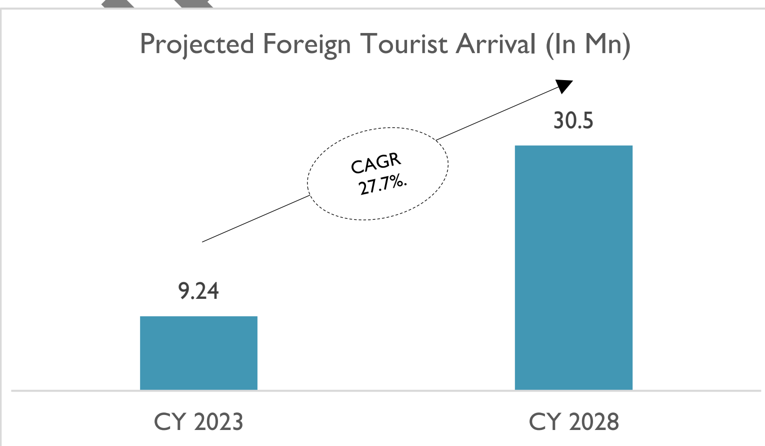
This positive trend has been significantly supported by government initiatives such as the Swadesh Darshan scheme, launched in 2014-15. This program has played a crucial role in revitalizing the tourism sector through substantial financial investments. The scheme has sanctioned INR 5,294 crore for 76 projects across 14 thematic circuits, aimed at developing and promoting various aspects of India's cultural and natural heritage. Of this amount, INR 4,865 crore has already been released for project implementation, enhancing tourism infrastructure and improving visitor experiences, thus contributing to the sector's ongoing growth and recovery.

Growth Forecast: Tourist Arrivals

The expected growth in the travel and tourism sector's contribution to the Indian economy is anticipated to be significant in the coming years. As the industry recovers from the COVID-19 pandemic, experts project that the contribution of travel and tourism to India's GDP will continue to rise, driven by both domestic and international demand.

The Indian government's initiatives to promote tourism, coupled with the increasing disposable income of the middle class, are expected to boost domestic tourism substantially. Additionally, the "Dekho Apna Dish" campaign and improvements in infrastructure, such as better connectivity and more affordable air travel options, are likely to further enhance this growth.

Internationally, India is also positioning itself as a key destination for global travellers, with efforts to streamline visa processes, improve tourist safety, and enhance the overall visitor experience. This is expected to attract more foreign tourists, contributing to the growth of foreign exchange earnings and, subsequently, the overall economy.

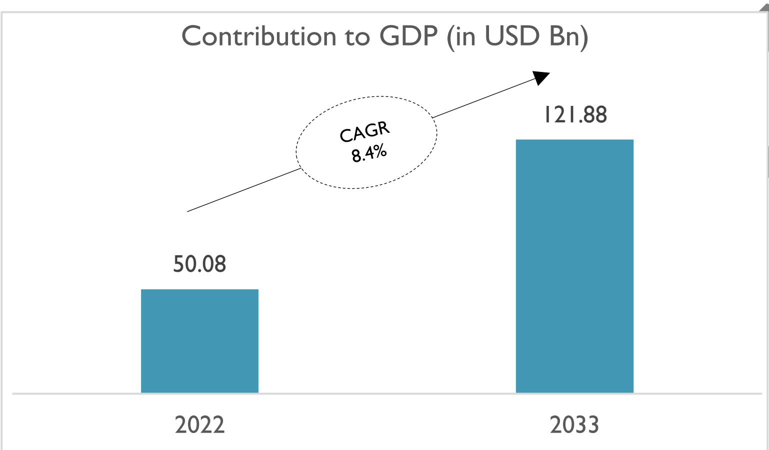


Source: D&B Desk Research

These concerted efforts are not only set to attract a greater number of foreign visitors but are also expected to significantly bolster foreign exchange earnings and drive substantial contributions to India's GDP. As the tourism sector continues to grow, it promises to be a vibrant engine of economic development, showcasing India's rich cultural heritage and dynamic hospitality.

Growth Forecast: Economic Contribution

The substantial impact of the COVID-19 pandemic on the tourism sector's economic contribution. In 2017-18, tourism contributed significantly to the national economy, accounting for 5.03% of GDP. However, the pandemic led to a sharp decline, with the sector's share dropping to 1.50% in 2020-21. The total contribution to GDP in USD terms also reflects this downturn, falling from USD 50.08 Bn in 2022 to a much-reduced figure during the peak of the pandemic. Both direct and indirect contributions experienced significant reductions, with direct contributions decreasing from 2.61% to 0.78%, and indirect contributions from 2.42% to 0.72%.

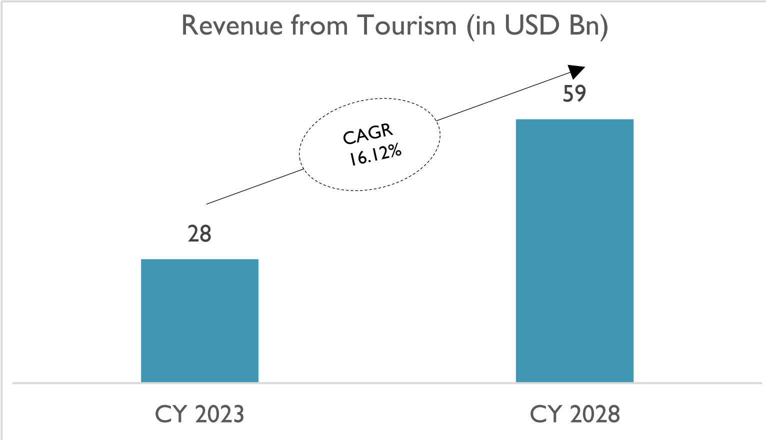


Source: D&B Desk Research

Despite the downturn, the sector has shown signs of recovery. By 2021-22, the contribution to GDP increased to 1.77%, with direct contributions rising to 0.92% and indirect contributions to 0.85%. The total contribution to GDP is projected to grow to USD 121.88 Bn by 2033, reflecting an 8.4% compound annual growth rate (CAGR), which indicates a potential resurgence as travel restrictions ease and consumer confidence rebounds. While the tourism industry is on the path to recovery, it has yet to reach pre-pandemic levels, and its full revival will depend on the continued stabilization of global travel conditions and effective recovery strategies.

Revenue Growth

The Indian tourism sector is on the brink of a transformative period, with remarkable growth on the horizon. Revenue from tourism is forecasted to leap from USD 28 Bn in 2023 to an impressive USD 59 Bn by 2028. This dramatic increase is indicative of the sector's robust recovery and its promising future as it emerges from the shadows of the COVID-19 pandemic. Equally compelling is the projected rise in foreign tourist arrivals, expected to jump from 9.24 Mn in 2023 to 30.5 Mn by 2028. This surge highlights India's growing stature as a sought-after global travel destination.



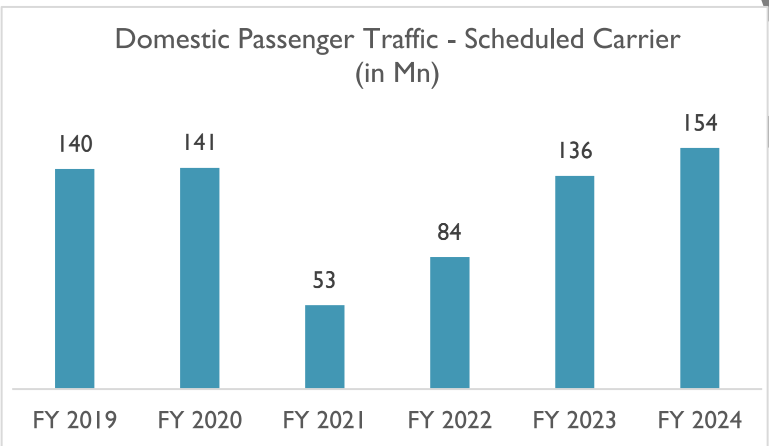
Source: D&B Desk Research

The anticipated growth in the Indian tourism sector, with revenues set to nearly double and foreign tourist arrivals projected to triple by 2028, will have a profound impact on the economy. This surge in tourism revenue and international visitor numbers is likely to stimulate substantial economic activity across various sectors, including hospitality, transportation, and retail. Increased tourist spending will drive demand for goods and services, creating new job opportunities and supporting local businesses. Moreover, the growth in tourism infrastructure and the enhancement of visa processes will not only boost economic output but also attract further investments, reinforcing India's position as a major global travel destination and contributing to long-term economic development.

Indian Air Travel Market

Domestic Air Travel Trends

In the fiscal year 2023-24, domestic air travel in India exhibited notable growth compared to the previous year. Departing passengers reached 153.7 Mn, marking a significant increase of 13.0% from 136.0 Mn in 2022-23. This surge in passenger numbers is mirrored by a 12.2% rise in domestic airline demand, measured in Revenue Passenger Kilometres (RPK), which climbed from 132.0 Bn to 148.2 Bn. Additionally, the Available Seat Kilometres (ASK) for domestic airlines increased by 6.9%, reaching 169.2 Bn from 158.3 Bn. These metrics underscore a robust recovery and expansion in domestic air travel.

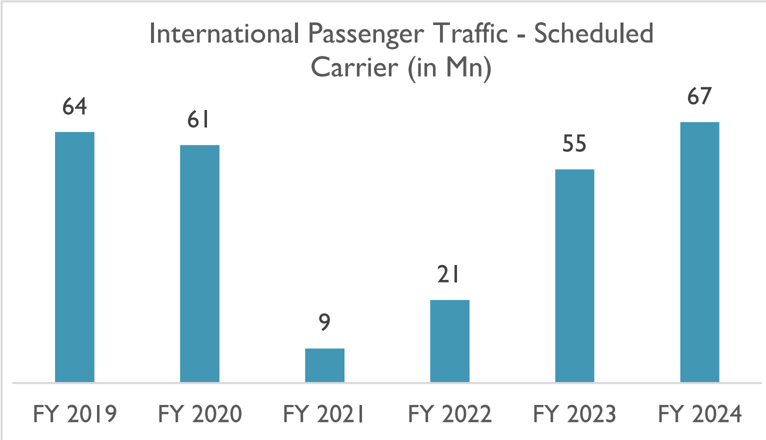


Source: DGCA, Handbook 2024

Over the past decade, domestic passenger traffic has demonstrated a compound annual growth rate (CAGR) of 9.7%, reflecting sustained growth in the sector. This period saw a steady increase in passenger volumes, from 60.7 Mn in 2013-14 to 153.7 Mn in 2023-24. The data highlights the resilience and expansion of the domestic air travel market, with the increase in passenger numbers and airline capacity indicating a growing demand and recovery trajectory in the Indian aviation sector.

International Air Travel Trends

In the fiscal year 2023-24, international air travel from India showed substantial growth compared to the previous year. Departing and arriving international passengers surged to 66.7 Mn, reflecting a robust increase of 22.1% from 54.6 Mn in 2022-23. This uptrend is further supported by a rise in demand, as indicated by a 21.2% increase in Revenue Passenger Kilometres (RPK), which grew from 84.2 Bn to 116.2 Bn. The Available Seat Kilometres (ASK) also saw a significant expansion, rising by 18.7% to 204.4 Bn from 172.4 Bn, illustrating enhanced airline capacity and connectivity.

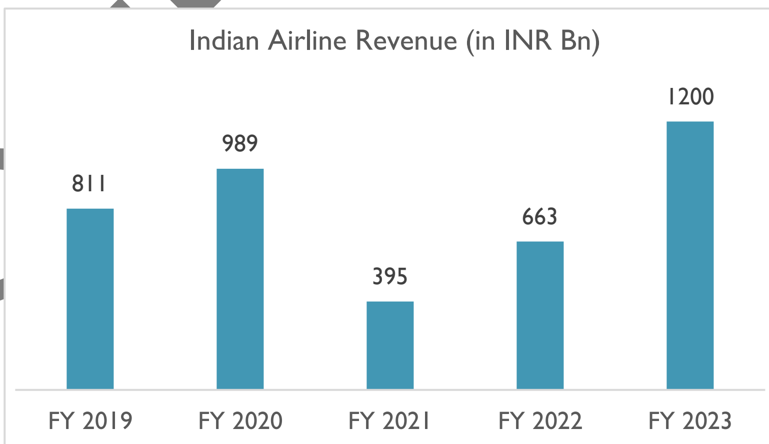


Source: DGCA, Handbook 2024

Over the past decade, international passenger traffic has experienced a compound annual growth rate (CAGR) of 4.5%, with the number of passengers increasing from 43.1 Mn in 2013-14 to 66.7 Mn in 2023-24. This growth trajectory underscores a strengthening of international travel demand and an expanded network of flights connecting India with the global market. The substantial growth in passenger volumes and airline capacity indicates a positive shift in international travel trends and a recovery path from previous disruptions.

Revenue Growth Trend

In the fiscal year 2022-23, India's aviation sector witnessed a remarkable rebound, with total operating revenue soaring to INR 1,200 Bn. This sharp recovery follows a challenging period during the COVID-19 pandemic, where revenues had dropped significantly. From a low of INR 395 Bn in FY 2021, the sector's revenue surged, reflecting a robust recovery and a strong return to growth as travel demand rebounded.



Source: DGCA, Handbook

The revenue trend over the past few years illustrates a compelling comeback story. After the significant dip in FY 2021, the industry's revenue steadily climbed, culminating in the highest figure recorded over the past five years. This positive trajectory underscores the resilience of the Indian aviation sector and its capacity to bounce back from disruptions, driven by increased passenger numbers and improved market conditions.

Leading the revenue charts, IndiGo emerged as the top performer, capturing 45.4% of the total revenue. Air India followed with 26.1% of the total revenue share. Vistara contributed 9.8%, Air India Express contributed 4.8%, and SpiceJet 7.4%. Together, these top five airlines represented approximately 93.5% of the total revenue, highlighting their significant influence and leadership in the Indian aviation landscape.

Key Demand Drivers

Low-cost carriers

India leads the world in the share of low-cost carriers (LCCs) in airline capacity, with LCCs controlling 71% of the market. This is significantly higher than the global average of 34%, and surpasses Indonesia, the next highest, where LCCs hold 64% of the capacity. In contrast, China's market is dominated by legacy carriers, with LCCs only holding 12% of the market. The UK shows a more balanced split between LCCs and legacy carriers, while countries like Brazil, Italy, and Spain also have higher LCC shares compared to legacy carriers.

IndiGo, the largest LCC in India, dominates the sector, holding 62% of the domestic passenger market share and 70.2% of the LCC market, which includes competitors like Akasa and SpiceJet. Despite this strong position, Indian carriers face challenges in generating ancillary revenues, such as fees for extra services. IndiGo's ancillary revenue per traveller stands at USD5.86, making up 7.1% of its total revenue, which is lower compared to global peers like Ryanair, easyJet, and Southwest.

The growing prominence of LCCs is reflected in the top four global airlines—Southwest, Ryanair, IndiGo, and easyJet—being LCCs. Since 2019, LCCs have increased their global capacity share by 13%, while legacy carriers are still recovering to pre-pandemic levels.

Improvement in airport infrastructure & connectivity

As of early 2024, India's airport infrastructure comprises 149 operational airports, reflecting a notable expansion over the past decade, during which 70 new airports were added. The Indian government's strategic vision aims to further enhance this network, with plans to increase the total number of airports to 200 in the near future. This expansion is supported by initiatives such as the UDAN (Ude Desh Ka Aam Nagrik) scheme, which has significantly bolstered regional connectivity. Under this scheme, 517 routes have been operationalized, connecting previously underserved regions and serving approximately 13 Mn passengers. The expansion is complemented by substantial investments from major carriers, with IndiGo placing a record order for 500 Airbus aircraft and Air India securing 470 aircraft from both Airbus and Boeing.

Domestic air traffic in India has demonstrated a strong recovery, with approximately 114 Mn passengers traveling in the first nine months of FY2024. This represents a significant rebound, with an expected growth rate of 8-13% for the fiscal year compared to FY2023. To support this growth, ongoing investments are being directed towards upgrading and expanding airport infrastructure, particularly in tier-2 and tier-3 cities. These upgrades are essential to accommodate the rising passenger volumes and to improve connectivity across the country, ensuring that the benefits of the expanding air network are felt nationwide.

Changes in tourism spending pattern

The Union Budget for FY 2024-25 outlines key measures for the Indian tourism sector with INR 2,479.62 crores allocated for infrastructure, including tourism circuits and key historical sites. It supports enhanced connectivity and sustainable practices while highlighting the need for improved international tourism marketing, aiming to address shifts in tourism spending patterns and support the sector's growth. With tourism contributing significantly to the GDP and employment, the budget anticipates an increase in tourism's GDP share to 7.6% by 2034. The budget proposes enhanced investments in infrastructure and targeted interventions, including support for tourism circuits, eco-tourism, and less-explored destinations, along with improved connectivity through road, rail, and air enhancements.

However, while domestic tourism promotion funding has increased, overseas promotion has seen a substantial reduction. This reduction could impact India's ability to attract international visitors despite rising domestic travel spending. The budget highlights the need for strategic overseas marketing and promotion to bolster India's global tourism standing. Additionally, the focus on sustainable tourism and large-scale projects underscores the importance of adapting to evolving tourism trends and ensuring long-term growth and competitiveness in the sector.

Increase in business travel

India's business travel sector is poised for significant growth, with an anticipated increase of 18.3% in 2024. This robust expansion is attributed to rising corporate incomes and a surge in foreign direct investment. In 2023, Indian companies spent approximately USD32.3 Bn on business trips, meetings, conferences, and events. Despite a notable 24.7% rise in business travel expenditure last year, India lagged behind other major Asia-Pacific (APAC) countries.

The Global Business Travel Association (GBTA) projects that by 2025, business travel spending in India will fully recover to pre-COVID levels, and by 2027, it will exceed those levels by 20%. India, currently accounting for about 5.7% of APAC's business travel spend, ranks as the fourth largest market in the region after China, Japan, and South Korea, and the ninth largest globally.

This resurgence in business travel is a crucial driver for the aviation industry, as increased corporate travel will lead to higher demand for air travel services. The strong economic outlook and strategic investments in business travel are expected to significantly enhance the performance of the aviation sector in India.

Ticketing solutions / service providers and their role in air travel ecosystem

Ticketing solutions and service providers are crucial to the Indian air travel industry, streamlining bookings, enhancing customer access, and improving operational efficiencies. In India, the airline sector relies on a variety of ticketing solutions, including online travel agencies (OTAs) like MakeMyTrip, Cleartrip, and Golbibo. These platforms offer integrated services for booking flights, accommodations, and transportation, making them popular for their convenience and competitive pricing.

Service providers in the sector act as intermediaries, optimizing ticket distribution and customer access through technological advancements. They focus on enhancing operational processes and providing tailored solutions to both airlines and travellers, thereby improving customer experiences and operational performance. The impact of technology is evident in the rise of mobile applications and digital wallets, which have revolutionized ticket purchasing by making transactions faster and more accessible.

Airlines benefit from these ticketing solutions through improved revenue management and customer relationship management (CRM). Advanced systems enable dynamic pricing strategies and enhanced customer engagement, fostering loyalty and satisfaction. However, the industry faces challenges such as capacity constraints at airports, intense competition affecting pricing and profitability, and operational disruptions from technical failures and regulatory complexities.

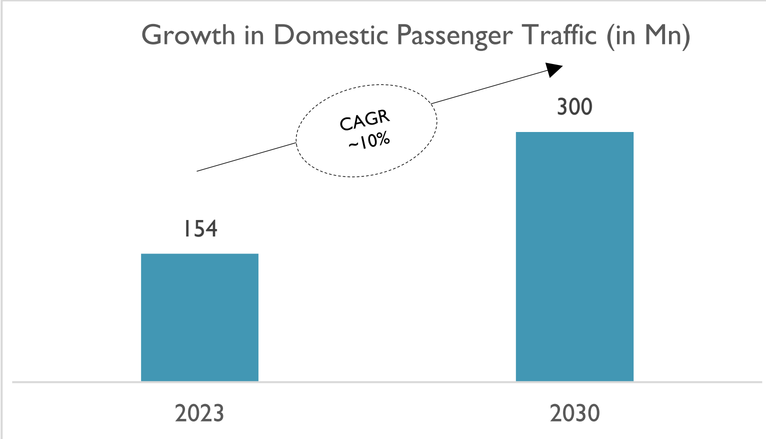
Impact on technology disruption in ticketing solutions

Technological advancements are revolutionizing the airline industry's ticketing solutions, driving significant changes in how airlines engage with passengers and manage operations. Innovations such as Android-based in-seat platforms, wireless internet, and in-flight e-commerce are enhancing passenger engagement and opening new revenue streams. Robotics and automation are becoming crucial, with substantial investments in automated bag-drop machines and self-driving luggage vehicles aimed at boosting operational efficiency and customer service. Additionally, technologies like New Distribution Capability (NDC) and ONE Order are transforming airline distribution by streamlining transactions through APIs, while digital twins and AI are improving predictive analytics and air traffic management.

Air India's USD 200 Mn technology overhaul serves as a prime example of this industry-wide shift. The airline is investing in modernizing its booking platform with an intuitive interface and real-time updates, enhancing the user experience and reducing uncertainty. By incorporating AI and machine learning, Air India aims to personalize services, offer dynamic pricing, and streamline reservation and check-in processes. This strategic move aligns with global trends where airlines are leveraging advanced technologies to improve service delivery and meet evolving customer expectations.

Growth Forecast

India's aviation sector is experiencing remarkable growth, with the government investing around USD11 Bn to build new airports and refurbish existing ones. The country plans to increase its number of airports from 150 to 200 within the next five years to keep pace with the rapidly expanding air passenger market. With a population of 1.4 Bn, India is on track to become the world's third-largest aviation market, following China and the United States. Domestic air passenger traffic is projected to double by 2030, reaching 300 Mn passengers annually, prompting significant upgrades in infrastructure and operational efficiency.



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Recent developments, such as Air India's order of 470 aircraft from Airbus and Boeing and the expansion plans of other airlines like Akasa, highlight India's emergence as one of the world's largest aircraft purchasers. The growth in fleet size, alongside ongoing infrastructure enhancements, is part of India's broader strategy to support its booming aviation sector. Despite minor challenges like winter fog delays, the sector is in major growth mode, with the current investments positioning India to meet the demands of its rapidly increasing air traffic and solidify its role in the global aviation industry.

The Indian government plans to invest approximately USD12 Bn in airport infrastructure by 2025, aiming to increase the number of operational airports from 148 in 2023 to 220 by 2025. This expansion is vital to accommodate the rising number of air passengers. Additionally, India has become the world's largest aircraft purchaser after the U.S. and China, with its fleet size expected to grow from 713 to over 2,000 aircraft in the next decade. In 2023 alone, airlines placed orders for 970 new aircraft, reflecting strong confidence in the future demand for air travel.

India's economy is projected to grow significantly, potentially reaching USD20 trillion by 2047, which is expected to drive increased demand for air travel, particularly among the expanding middle class. With a median age of 28.2 years, the country has a youthful population that is increasingly inclined to travel. By 2030, the middle class is expected to make up 47% of the population, further boosting air travel demand both domestically and internationally. Additionally, there is a rising preference for air travel, especially for short-haul flights, driven by competitive pricing from low-cost carriers (LCCs) and improved travel experiences.

Emergence of Air Ticket Distribution Platform

Key attributes & features

Centralized Booking Systems: Air travel distribution platforms serve as centralized hubs where users can search for, compare, and book flights from a wide range of airlines. These platforms aggregate data from multiple airlines and travel agencies, offering a comprehensive overview of available flight options. For example, Expedia and Kayak allow travellers to view flights from various airlines, compare prices, and filter results based on preferences like departure time, duration, and layovers. This centralized approach saves time and effort by providing a one-stop shop for all travel needs, eliminating the need to visit multiple airline websites individually.

Real-Time Data Integration: Real-time data integration is a critical feature of modern air travel distribution platforms. These platforms continuously update flight availability, pricing, and schedules, ensuring that users have the most current information when planning their travel. Google Flights, for instance, provides real-time price tracking and alerts, allowing users to monitor fare changes and book flights at the most opportune time. This feature is particularly useful for last-minute travellers or those looking to capitalize on price drops.

Multi-Channel Accessibility: To cater to the diverse needs of travellers, air travel distribution platforms are designed to be accessible across multiple channels. Whether users prefer to book flights via a website, mobile app, or through a third-party travel agency, these platforms ensure a seamless experience across all devices. Booking.com and Trip.com exemplify this approach by offering synchronized access to travel bookings on both desktop and mobile platforms. This multi-channel accessibility allows users to start their booking process on one device and complete it on another, providing flexibility and convenience.

Personalization: Personalization is a key differentiator for many air travel distribution platforms. Using advanced algorithms and artificial intelligence, these platforms analyze user preferences, past bookings, and browsing behaviour to offer tailored recommendations. For example, TripAdvisor and Hopper use AI to suggest destinations, flights, and hotels that align with a user's travel history and preferences. If a user frequently travels to beach destinations, the platform might highlight similar tropical locations or suggest relevant travel deals, creating a more engaging and customized experience.

Dynamic Pricing: Dynamic pricing models are widely used by air travel distribution platforms to adjust fares in real-time based on various factors such as demand, booking time, and market conditions. This allows airlines to optimize revenue while offering competitive prices to consumers. Hopper is known for its dynamic pricing feature, where the platform predicts future flight prices and advises users on the best times to book. This feature helps travellers secure lower fares and airlines maximize their yield by adjusting prices based on current market dynamics.

Ancillary Services Integration: Beyond just booking flights, modern travel distribution platforms integrate ancillary services such as baggage, seat selection, in-flight meals, and travel insurance. This integration streamlines the travel planning process by allowing users to manage all aspects of their journey in one place. Orbitz and Expedia enable travellers to add these services during the booking process, offering a more convenient and comprehensive experience. For example, when booking a flight, a traveller can choose their seat, pre-purchase baggage allowance, and opt for in-flight meals, all within the same transaction.

New Distribution Capability (NDC) Compliance: NDC compliance is an important feature for many air travel distribution platforms. The New Distribution Capability (NDC) is a data transmission standard developed by IATA that allows for richer content distribution and more personalized offers from airlines to consumers. Platforms like Amadeus and Sabre have adopted NDC, enabling direct communication between airlines and travel agents. This facilitates more detailed fare options, ancillary services, and bundled offers, giving consumers greater choice and flexibility when booking flights.

User-Friendly Interfaces: User experience is a key focus for air travel distribution platforms, and user-friendly interfaces are central to this. These platforms are designed with intuitive navigation, clear pricing information, and streamlined booking processes to make it easy for users to find and book flights. Cleartrip and Airbnb (for flights in certain regions) are examples of platforms that prioritize simplicity and ease of use. Their interfaces allow users to quickly filter results, view flight details, and manage bookings with minimal effort, enhancing overall satisfaction.

Enhanced Security: With the increasing amount of personal and financial information being exchanged during online transactions, security is paramount for air travel distribution platforms. These platforms implement robust security measures, including encryption, secure payment gateways, and fraud detection systems, to protect user data. PayPal integration on platforms like eDreams and Expedia provides an added layer of security, ensuring that payment details are kept safe. Enhanced security features build trust with users, encouraging them to book flights with confidence.

Integration with Loyalty Programs: Loyalty program integration is a significant feature of air travel distribution platforms, allowing users to earn and redeem points or miles directly through the platform. Rocketmiles and Points.com are examples of platforms that offer this integration, making it easy for travellers to manage their loyalty accounts across multiple airlines and hotel chains. For instance, a user booking a flight on Rocketmiles can earn frequent flyer miles that can be redeemed for future travel, providing additional value and encouraging repeat bookings.

Role in Travel Industry

Air travel distribution platforms play a pivotal role in the airline travel industry by acting as intermediaries between airlines and travellers. They streamline the booking process, enhance customer experience, and support airlines in optimizing their operations and revenue management. Here's a closer look at their roles:

Market Reach Expansion: Air travel distribution platforms significantly expand the market reach of airlines by making flight options accessible to a global audience. Through partnerships with online travel agencies (OTAs) like Expedia, Booking.com, and Trip.com, airlines can tap into a vast pool of potential customers who might not visit individual airline websites directly. This expanded reach helps airlines attract more bookings and fill seats across various routes.

Revenue Management and Dynamic Pricing: These platforms support airlines in implementing dynamic pricing strategies by continuously updating fare information based on demand, booking patterns, and market conditions. With real-time data integration, platforms like Hopper and Google Flights enable airlines to adjust prices dynamically, maximizing revenue by charging higher prices when demand is high and offering discounts during low-demand periods.

Enhanced Customer Experience: Air travel distribution platforms enhance the customer experience by providing a one-stop shop for travellers to search, compare, and book flights from multiple airlines. They offer features like personalized recommendations, real-time updates, and multi-channel accessibility, making the booking process more convenient and tailored to individual preferences. This user-centric approach helps airlines attract and retain customers.

Distribution of Ancillary Services: Beyond selling tickets, these platforms facilitate the distribution of ancillary services such as baggage, seat selection, in-flight meals, and travel insurance. By integrating these services into the booking process, platforms like Orbitz and Cleartrip help airlines generate additional revenue streams while providing customers with a more comprehensive travel experience.

Facilitation of New Distribution Capability (NDC): Many modern distribution platforms are NDC-compliant, allowing airlines to offer richer, more customized content directly to consumers and travel agents. This capability enhances the transparency and attractiveness of airline offerings, enabling airlines to differentiate themselves in a competitive market. Platforms like Amadeus and Sabre are at the forefront of adopting NDC, facilitating more personalized and flexible fare options.

Data Analytics and Insights: Air travel distribution platforms provide airlines with valuable data analytics and insights into customer behaviour, booking trends, and market dynamics. This information helps airlines refine their marketing strategies, optimize route planning, and improve customer targeting. For instance, platforms can track which destinations are trending and advise airlines on where to allocate additional capacity.

Global Distribution System (GDS) Integration: Many air travel distribution platforms are integrated with Global Distribution Systems (GDS) like Sabre, Amadeus, and Travelport, which aggregate and distribute airline inventory to travel agencies worldwide. This integration allows airlines to maintain a presence across multiple sales channels, ensuring that their flights are available to a broad range of potential customers through various booking platforms.

Supporting Low-Cost Carriers (LCCs): Low-cost carriers (LCCs) often rely heavily on air travel distribution platforms to reach price-sensitive customers and maintain low operational costs. Platforms like Skyscanner and Kayak, which aggregate fares from multiple LCCs, make it easier for travellers to find and book affordable flights. This has led to the growth of LCCs by making them more accessible to a wider audience.

Crisis Management and Communication: During disruptions like flight cancellations, delays, or global events (e.g., the COVID-19 pandemic), air travel distribution platforms play a crucial role in managing customer communication and rebooking processes. They provide airlines with the tools to quickly inform passengers, offer alternatives, and process refunds or reschedules, helping to maintain customer trust and satisfaction during challenging times.

Loyalty Program Integration: By integrating frequent flyer and loyalty programs into their platforms, distribution systems enable airlines to engage customers and build brand loyalty. Travelers can easily earn and redeem miles or points during the booking process, encouraging repeat business and fostering long-term relationships with customers.

Leading Travel Distribution Platforms in India

Operational profile

Company Name	Description
Trip Jack	Trip Jack operates as a B2B travel platform providing a range of services including flight bookings, hotel reservations, and holiday packages. It has a network spanning over 450 cities in India and utilizes advanced technology for real-time inventory management. The company offers 24/7 customer support for its travel agents. **Founding Year:** 2015 **Headquarters:** Mumbai, India

	No. of Agents Served: Over 40,000 travel agents and more than 12,000 active associates
Travel Boutique Online (TBO)	TBO is a leading B2B travel distributor offering a comprehensive range of services such as flights, hotels, transfers, and travel insurance. It operates on a proprietary platform that supports real-time booking and inventory management, with a strong presence in India, the Middle East, and Southeast Asia. **Founding Year:** 2006 **Headquarters:** Gurgaon, India **No. of Travel Buyers:** 147,000 Travel Buyers and 21 offices across India
Travclan	Travclan is a digital B2B marketplace designed to streamline transactions for travel agents. The platform provides access to flights, hotels, and tour packages, featuring automated payment processes and real-time inventory updates. It focuses on supporting small and medium-sized travel agencies in India and Southeast Asia. **Founding Year:** 2018 **Headquarters:** New Delhi, India **No. of Agents Served:** Over 15,000 travel agents
B2B Travel Agency India Private Limited	Specializes in wholesale travel services, offering discounted travel products including flight bookings, hotel reservations, and holiday packages. It operates an online booking system integrated with CRM for managing agent relationships. The company focuses on serving independent travel agents and small agencies in India. **Founding Year:** 2010 **Headquarters:** Mumbai, India **No. of Agents Served:** Independent travel agents and small agencies across India
Traveliq	Traveliq provides a comprehensive suite of B2B travel services with an AI-driven booking platform. It offers integrated solutions for flight bookings, hotel reservations, dynamic packaging, and

	travel insurance. The company focuses on enhancing the booking experience through AI and machine learning, serving travel agents and management companies in India and Southeast Asia. **Founding Year:** 2017 **Headquarters:** Bangalore, India **No. of Agents Served:** Over 150,000 registered agents

Financial Performance

B2B Travel Agency India Pvt Limited

Key Indicators (INR Million)	FY 2021	FY 2022	FY 2023
Revenue from Operations	6.03	18.15	60.17
EBITDA	-12.40	1.15	4.43
PAT	-12.80	0.24	2.02
EBITDA Margin (%)	-2.06	0.06	0.07
PAT Margin (%)	-2.12	0.01	0.03
ROA	-0.45	0.00	0.01
ROCE	NA	NA	NA
Net Worth	-30.49	-16.18	-1.03
Long-term Debt	5.69	5.21	0.00
Debt Equity Ratio	NA	NA	NA
Return on Equity	NA	NA	NA

TripJack Pvt Ltd

Key Indicators (INR Million)	FY 2021	FY 2022	FY 2023

Revenue from Operations	321.94	1,185.26	2,810.33
EBITDA	51.74	204.29	580.34
PAT	38.575	146.321	409.20
EBITDA Margin (%)	0.16	0.17	0.21
PAT Margin (%)	0.12	0.12	0.15
ROA	12.94%	17.07%	17.96%
ROCE	103.92%	100.52%	88.03%
Net Worth	50	196	633
Long-term Debt	0	0	0
Debt Equity Ratio	501%	337%	258%
Return on Equity	77.73%	74.67%	64.61%

Travclan

Key Indicators (INR Million)	**FY 2021**	**FY 2022**	**FY 2023**
Revenue from Operations	7.90	89.17	339.81
EBITDA	-39.67	-86.84	-136.62
PAT	-40.72	-86.84	-139.55
EBITDA Margin (%)	-5.02	-0.97	-0.40
PAT Margin (%)	-5.15	-0.97	-0.41
ROA	NA	NA	NA
ROCE	NA	NA	NA
Net Worth	10	-3	17
Long-term Debt	2	0	15
Debt Equity Ratio	NA	NA	NA
Return on Equity	NA	NA	NA

TravelIQ

Key Indicators (INR Million)	FY 2021	FY 2022	FY 2023
Revenue from Operations	1.21	5.50	6.70
EBITDA	0.23	1.36	0.73
PAT	-1.17	0.76	0.10
EBITDA Margin (%)	0.19	0.25	0.11
PAT Margin (%)	-0.96	0.14	0.02
ROA	NA	6.42%	0.85%
ROCE	NA	7%	2.04%
Net Worth	11	12	12
Long-term Debt	0	0	8
Debt Equity Ratio	4%	20%	63%
Return on Equity	NA	6.28%	0.85%

Financial Analysis

In the B2B travel agency sector in India, key players include B2B Travel Agency India Pvt Limited, TripJack Pvt Ltd, Travclan, and TravelIQ. Each of these companies exhibits different financial metrics, reflecting a diverse range of performance levels within the sector.

The sector has demonstrated impressive revenue growth over recent years. Companies such as TripJack Pvt Ltd and Travclan have shown substantial increases in revenue from operations, indicating a strong and expanding market demand for travel services. This growth suggests that the sector is capitalizing on increased travel activity and expanding its market presence.

Profitability trends within the sector are varied. While some players have shown improvements in EBITDA margins, others continue to experience negative margins. This divergence highlights differing levels of operational efficiency and profitability. For instance, TripJack Pvt Ltd has achieved positive EBITDA margins, reflecting effective cost management and operational success. In contrast, other companies are struggling with negative margins, suggesting potential issues with cost control or market positioning.

The financial health of companies within the sector also varies widely. Net worth figures range from negative values to significant positive balances, reflecting different levels of financial stability and investment capacity.

Companies with negative net worth may be facing financial challenges or heavy debt burdens, whereas those with positive net worth are better positioned to invest and grow.

Debt and equity ratios further illustrate the financial dynamics of the sector. Some companies exhibit high debt-to-equity ratios, indicating substantial reliance on debt financing. This high leverage can increase financial risk and potentially impact long-term sustainability. Conversely, players with lower ratios may have a more conservative approach to debt or face different financial pressures.

Return on Equity (ROE) metrics vary significantly among players. Some companies are achieving high returns, demonstrating strong financial performance and effective shareholder value creation. Others show negative or non-available ROE figures, indicating potential issues with profitability or financial performance. This variation underscores the diverse financial outcomes experienced by companies in the sector.

Overall, the B2B travel agency sector in India is characterized by strong growth potential but also significant financial variability among players. Companies are navigating different challenges and opportunities, which is reflected in their financial metrics and performance outcomes.