An assessment of Indian Air Cargo Industry

The Air Cargo industry in the Indian market has seen unprecedented growth in the last decade. This significant growth over the last few years is expected to continue over the next decade. This makes it an interesting industry to study. We have studied the industry in terms of all secondary data available and also talked with industry experts. This is a report we present from this study.

September, 2008

Presented by : IMRS Advisory Pvt Ltd.

1. Executive Summary

This paper presents an assessment of total Weight & Value estimates of the Indian cargo industry and share of key market players in the market for the year 2007-08.

Findings presented in the paper have been derived by means of a comprehensive research conducted covering both secondary as well as primary sources in the spheres of Domestic freight, International freight and freight forwarders & agents. Both segments of Indian air cargo industry in India, Domestic Cargo & International Cargo have been covered.

Domestic air freight market in India was at 568 metric tons in 2007-08 amounting to a total of 20,149 Mln INR. The market is likely to grow at a CAGR of 12.9% in next 5 years and reach a figure of 1043 metric tons by 2012-13. At current realization level, this will amount to 36,986 Mln INR by 2012-13.

Key players in the Domestic sector are Jet Airways (38% market share), Indian Airlines (27% market share) and Blue Dart (17% market share). Jet Airways also leads in value share at 38%, followed by Blue Dart at 26% and Indian airlines at 22%. Mumbai and Delhi are the busiest ports with Mumbai – Delhi being the most important sector.

The International air freight market in India was at 1146 metric tons of which about 55 metric tons gets into interline movement within India. It is estimated that the growth in the international sector will continue in the coming years at an estimated growth rate of around 12.8% on a year to year basis over the next five years.

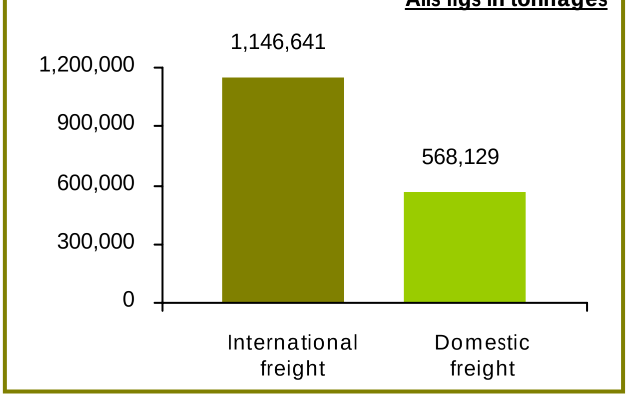
Key players in the International sector are Singapore Airlines (12% market share), Lufthansa (9% market share), Emirates (7% market share), Air India (7% market share) and British airways (7% market share).

2. Total Freight statistics

2.1 Total Freight market size

Below chart gives the total weights achieved by the Indian air cargo industry in FY 2007-2008:

Fig 2.1.1 – Total Freight Statistics



Source: AAI

In FY 2007-08, the International cargo industry handled a total of 11,46,641 tons. International cargo weight was growing at a rate of 12.1% (CAGR over past 5 y) per annum.

In FY 2007-08, the Indian Domestic cargo industry handled a total of 568,129 tons & the industry was growing at a rate of 11.3%.

2.2. Total freight revenue

The revenue estimates for the Indian Domestic Air cargo industry are as below:

Table 2.2.1 – Revenue & Freight (Total)

All figs for FY 2007-08	
Total weight of freight	568 ('000 tons)
Average revenue realization per kg	Rs. 35.5
Total revenue estimates for all freight	Rs. 20,149 (Mln INR)

Source: AAI

At current realization level, this will amount to 36,986 Mln INR by 2012-13. In revenue terms, Blue Dart has the highest realization followed by Jet Airways. Indian & Kingfisher have comparatively lower realization.

3. Freight break up

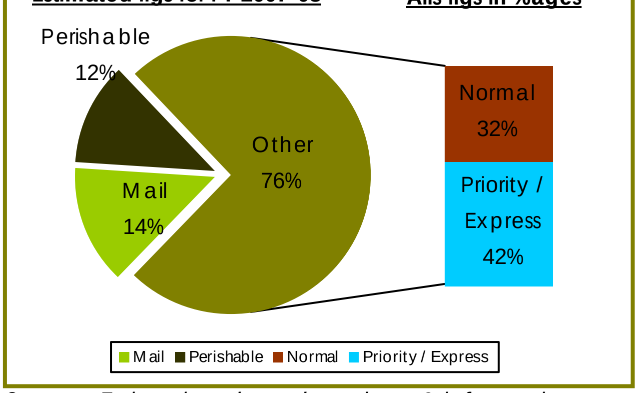
3.1 Share of Freight type

The cargo handled by this industry is classified by type of freight as follows:

1. General cargo
2. Perishable (namely temperature & time sensitive goods)
3. Mails, namely documents from Indian Postal department

Below chart gives the break up of all Domestic freight by freight type:

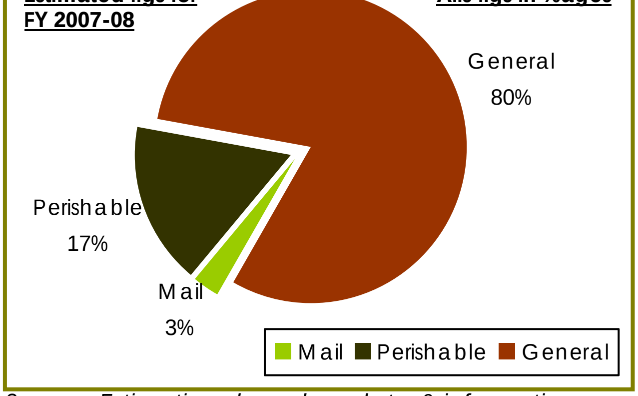
Fig 3.1.1 – Freight Type (Domestic)



Source: Estimations based on data & information from interviews with industry experts

General cargo forms the belly of business, out of which Express constitutes a significant proportion. Below chart gives the break by freight type for all International Cargo:

Fig 3.1.2 – Freight Type (International)



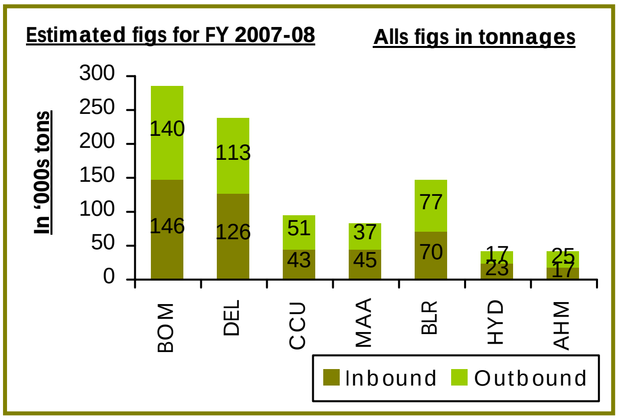
Source: Estimations based on data & information from interviews with industry experts

3.2 Inbound / Outbound port wise share

3.2.1 Domestic freight

Below chart gives the break up of Inbound & Outbound cargo in the Domestic sector:

Fig 3.2.1 – Freight Handled (Domestic)



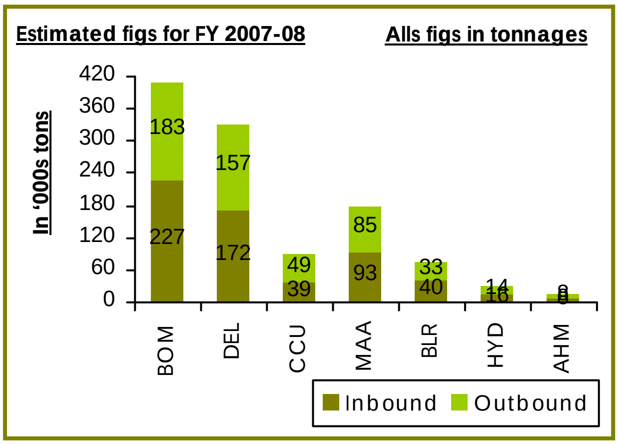
Source: Estimations based on data & information from interviews with industry experts

Mumbai, Delhi & Bangalore emerge as the busiest ports followed by Chennai. Mumbai's inbound cargo is estimated to be around 146,109 tons, whereas outbound is around 139,957 tons. As for Delhi, the inbound freight amounts to 126,059 tons & outbound about 112,747 tons.

3.2.2 International freight

Below chart gives the break up of Inbound & Outbound International Cargo – these are equivalent to freight imports & exports:

Fig 3.2.2 Freight Handled (International)



Source: Estimations based on data & information from interviews with industry experts

4. Domestic Freight – By players

4.1 Total freight – Share of players

The total load handled by all the players in India for the FY 2007-08 was 568,129 tons. The Domestic cargo sector is dominated by the top 4 - Indian Airlines, Blue dart, Jet airways & Kingfisher Airlines. These major players have a combined share of nearly 90%, the rest is being held by other low cost airlines and non scheduled operators.

Table below gives details of fleet in terms of aircraft type used by the key players:

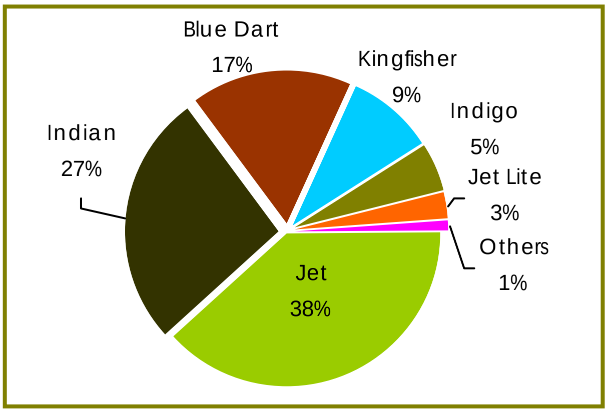
Table 4.1.1 – Fleet details (Domestic players)

	Passenger fleet	Cargo fleet
Jet Airways	ATR 72-500 A320, 330-200 Boeing 737-400, 500, 700, 800, 900 Boeing 737-300 ER	-
Blue Dart	-	Boeing 737 Boeing 757
Indian Airlines	A319, 320, 321 Boeing 737	-
Kingfisher	A320, A321	-

Source: Interviews with industry experts, respective websites & airline brochures

Share of key players is given in below chart:

Fig 4.1.2 – Share of Players (Domestic)



Source: AAI

Above shares are shares of total tonnages inclusive of Interline. Interline load is mainly from various International operators which have limited port operation in India and these are handled currently only by the top 3 carriers – Jet, Indian and Blue Dart.

5. International Freight – By players

The international freight industry is fragmented with a multitude of players sharing the pie. Below table gives details of aircraft type used by key players:

Table 5.1.1 – Fleet details

	Passenger fleet	Cargo fleet
Singapore airlines	Boeing 777 300 Boeing 777 200	Boeing 747 400
Lufthansa	Boeing 747 Airbus 340	MD 11
Emirates	Airbus 330–200 series Boeing 777-200 Boeing 777-300	-
Air India	Boeing 744 77L AB-310 AB-320	Combi 74 D
British airways	Boeing 777 series	Boeing 747 ser
Cathay Pacific	Airbus 330 Airbus 340 Boeing 777	Boeing 747 200F
Jet	Boeing 747 200 F	-
Thai	Airbus 320 Airbus 330 Boeing 777	-
Etihad	Airbus 340 Airbus 330 Airbus 320	Airbus 300 MD11
Alitalia	MD 11	MD 11
Fedex	-	MD 11 Airbus 310
UPS	-	MD 11 Boeing 767

Source: Interviews with industry experts, respective websites & airline brochures

Below table gives details of the total number of flights of key players & the share of weights:

Table 5.1.2 – No. of flights & Share of weights

	Flights in a week		Share of
	Passenger	Cargo	
Singapore airlines	110	38	12%
Lufthansa	94	38	9%
Emirates	220	-	7%
Air India	~ 2650	12	7%
British airways	86	14	7%
Cathay Pacific	74	38	5%
Jet	222	194	5%
Thai	96	-	3%
Etihad	80	62	3%
Alitalia	15	15	3%
Fedex	-	144	2%
UPS	-	14	1%

Source: Interviews with industry experts, respective websites & airline brochures

These figures are inclusive of inbound as well as outbound flights.

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