VIDEC's

India Air Travel Market Sizing & OTA Benchmarking Study, FY20-FY26

Overview and analysis of Indian air travel market opportunity, along-with the India based OTA landscape.

Written by:
Virendra Jain & Deepak Jain

CAMBON PARTNERS | videc

August 2023

VIDEC's India Air Travel Market Sizing & OTA Benchmarking Study, FY20-FY26

Written by: Virendra Jain & Deepak Jain

VIDEC Consultants | www.videc.co | +91-932-024-2002
Cambon Partners | www.cambonpartners.com | +33-1-5345-9010

About Cambon Partners

Cambon Partners has the largest team of travel bankers. It provides travel/tech companies with comprehensive advisory services for mergers & acquisitions and corporate finance, including:

- Sellout to a strategic buyer
- Majority and minority stake sales to LBO and growth equity funds
- Venture and growth capital funding
- Debt refinancing and raising of bank of bond financing
- Acquisitions

Cambon Partners intervenes at all stages of the company's lifecycle: Venture, Growth capital, LBO, M&A.

About VIDEC

VIDEC is a boutique research, consulting, and M&A advisory company with a singular domain focus on the global travel, tourism, and hospitality industry.

VIDEC actively helps companies looking to acquire and exit with its commercial due diligence, industry and consumer research, thought leadership, and buy and sell side advisory services. VIDEC has a strategic partnership with the leading global investment banking firm, Cambon Partners.

VIDEC's clients benefit from its founding partners' decades of travel industry experience in consumer and B2B research, business development, education, and media.

Sponsors

VIDEC began this research with a set objective and a comprehensive scope that it felt was seminal to the growth of the India travel market henceforth.
VIDEC is thankful to its partners for agreeing to the need for such an unbiased research, and for their sponsorship participation in this multi-client syndicated research study.

cleartrip makemytrip

ixigo yatra

Table of Contents

List of Figures

List of Tables

Key Findings

1. The Indian air market i.e., domestic, and international, was estimated at ₹1,743 billion ($21.8B) in FY23, surpassing the pre-pandemic levels of ₹1,502 billion ($21.2B) in FY20. It is projected to rise to ₹2,824 billion ($35.3B) by FY26, growing at a CAGR of 17.4% during FY23-FY26.

2. The domestic air gross booking value (GBV) stood at ₹781 billion ($9.8B) in FY23, up 30% from ₹601 billion ($8.5B) in FY20 and is expected to reach ₹1,156 billion ($14.5B) by FY26, with a CAGR of 14% during FY23-FY26.

3. The international air GBV was estimated at ₹963 billion ($12B) in FY23, up from ₹901 billion ($12.7B) in FY20. It will grow at 20% CAGR for the next three fiscals, reaching ₹1,667 billion ($20.8B) in FY26.

4. The online air market was estimated at ₹762 billion ($9.5B) or 44% total air GBV in FY23. It is projected to reach ₹1,263 billion ($15.8B) by FY26.

5. The domestic online market is highly penetrated at 67%, in stark contrast with the international segment at 25% in FY23.

6. Indirect channel (OTAs) is the dominant online distribution channel for air –with a market share of 81% of online domestic air GBV and 66% of online international air GBV in FY23.

7. The Indian OTA air market was valued at ₹583 billion ($7.3B) in FY23 and is projected to grow at 20% CAGR during FY23-FY26, rising to ₹984 billion ($12.3B).

8. The OTA air category is led by the pioneer, MakeMyTrip Group with a market share of 57% in OTA air GBV in FY23. Cleartrip came a distant second at 13.7% share, EaseMyTrip - neck-to-neck - at 13.4% share, followed by Yatra with 9.4% share.

9. India's total flown passenger stood at 192 million in FY23, just shy of pre-pandemic levels of 202m in FY20. The domestic passenger traffic at 137 million in FY23 has recovered almost fully to FY20 levels, whereas international passenger traffic is still trailing at 54 million, recording 90% recovery.

10. The low-cost carriers (LCCs), led by Indigo, dominate the domestic skies, flying 113 million (82%) of all domestic traffic in FY23. The aggressive pursuits by Tata Group could tilt the share in favor of full-service carriers (FSCs) to some degree. Together, Indigo and Tata Group airlines, flew every four in five domestic passengers.

11. India's international airlift has long since been overshadowed by foreign carriers – they enjoyed a 56% market share in all international airlift from India in FY23.

12. The only air segment to surpass its pre-pandemic level is the international traffic on local carriers – they flew 24 million passengers in FY23, with a market share of 44% (vs. 38% in FY20) in all international airlift from India.

Methodology

The report presents market sizing, projections, and industry trends for the Indian air travel market for FY20-FY26. The air market sizing aims to assess the demand side potential of India's commercial aviation market, including all domestic, inbound and outbound traffic.

For markets like India, where the share of foreign carriers in international airlift (nearly 60%) is significantly higher than the India-based suppliers, a highly complex demand-side methodology is the most pertinent option to accurately size the market opportunity.

The total market/GBV is segmented into following channels:

- Online GBV are generated via consumer-facing websites and apps that sell directly to consumers, including supplier-direct online and online travel agencies (OTA).
- VIDEC has estimated OTA GBV using a demand side, top-down approach for each category. The OTA benchmarking numbers may have variance with the published IR/guidance by OTAs and/or suppliers.
- Offline GBV includes those made by consumers directly with the suppliers via phone, walk-ins and/or supplier reservation systems and indirect offline distribution channels including traditional travel agencies, authorized agents et al.

VIDEC conducted executive interviews with suppliers including airlines and travel distributors including traditional and online travel agencies, and travel technology providers operating in India, to better understand the evolution, current dynamics, and outlook for the market.

All financial information has been sourced from publicly available financial reports or company interviews. Estimates and projections are based on a variety of third-party data sources including tourism board visitor arrival/departure data, government statistics, MIDT data, economic indicators, market trends, and VIDEC analysis.

Data is actual for FY20-FY22 and projected for FY24-FY26. In select cases for FY23, estimates are arrived based on the reported gross bookings for the first three quarters (April-December 2022), combined with projections for the final quarter (January-March 2023). Totals in charts and figures do not always equal 100% due to rounding.

Market sizing is presented in Indian rupee (₹) as well as US dollars (US$), using applicable average currency exchange rates for respective years as noted below. None of the sizing data is adjusted for inflation.

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
US$1 = ₹	70.92	74.22	74.52	79.98	79.98	79.98	79.98

Market Overview

The Indian economy is characterized by rapid urbanization, a burgeoning middle-class, and a young demography. The share of middle-class households is expected to rise from 31% in FY21 to 47% in FY31[1]. More than one-third of the 1.4 billion population lives in urban centers, and around two-thirds is between 15 and 64 years old. All these factors add up to an optimal environment for growth of consumer aspirations that cultivates a high propensity to travel. Air is the only mode of transport that commands an aspirational value and is therefore set to be the biggest beneficiary of the India growth story.

Air travel penetration in India, at 0.1 trips per capita (vs. 0.5 trips per capita in China) still has phenomenal room for growth[2]. This indicates a long runway for expansion of the air travel market. The growth in air travel strongly correlates with a nation's per capita GDP. Between 1990 and 2022, India's per capita GDP rose 6x, while the air passengers carried surged 15x. India's per capita GDP will double from $2,500 in FY23 to more than $5,000 in FY31, setting the stage for a discretionary spending boom[3] along with an exponential rise in air traffic.

In recent years, the state policy towards aviation has substantiated the market's growth trajectory. The Ude Desh ka Aam Naagrik (UDAN) Regional Connectivity Scheme has successfully delivered on its objective of ensuring affordable and sustainable air connectivity to smaller cities and towns. Privatization of the government-run Air India in 2022 was a milestone in Indian aviation history. The government's ambitious plan to privatize 25 airports by 2025 is an indication of its commitment towards deregulation of the aviation industry.

Airports Authority of India (AAI) and other airport developers have targeted a capital outlay of approximately ₹980 billion ($12B) in airport infrastructure in the next five years[4]. This will mean expansion and modernization of terminals and strengthening of runways. The number of

1. The rise of India's middle class
2. Indian aviation market has huge potential waiting to be tapped
3. India set to become world's third-largest economy
4. AAI and other airport developers have targeted capital outlay of approximately ₹98,000 crore

operational airports in the country has grown to 148 in 2023, double of that in 2013[5]. Around 80 new airports are expected in the next five years. Twenty-one greenfield airports have been accorded in-principle approval (including Navi Mumbai, and Jewar NCR), 10 of which have been operationalized[6].

As of March 2023, 17 scheduled local airlines were operating in India with a total fleet size of 718 aircraft[7]. On international routes, 74 foreign carriers operate flights to/from India. Indian airlines are on a buying spree with an order book of about 1,500 aircraft, expected to be delivered over the next 10 years. Tata Group—which owns Air India, Vistara, Air India Express, and AirAsia India—has ordered 470 aircraft, with an option to purchase an additional 370. IndiGo placed the single largest order in aviation history, of 500 aircraft to be delivered from 2030-35, in addition to 480 aircraft, by 2030. The newest entrant Akasa is also expected to place a triple digit order by end of the year in addition to the 72 aircrafts already ordered[8].

There has been a consistent effort by policymakers, working in tandem with both the local airlines and the airports, to transform India into an aviation hub. As the center of gravity for global economy shifts to Asia, India's unique location can enable it to become the hub connecting EMEA and the Americas with the larger Asia-Pacific. Traditionally, foreign carriers have dominated the international traffic to/from India. These airlines are seeking additional seats primarily to exploit the sixth freedom traffic i.e., flying passengers beyond their country[9].

The Indian government, in a policy shift, has been encouraging local carriers to better utilize the Indian part of bilateral seat entitlements and ramp up global ambitions. The 2016 scrapping of the five-year requirement for airlines to commence international operations was a move in this direction. The uptick in wide-body planes in the Indian fleet also reflects the robust expansion plans of local carriers on international routes.

All these factors mean that the Indian air market growth will be spurred by massive domestic demand, flanked by a rapidly rising international segment.

5. Record growth in the number of airports in India
6. New airports constructed and upgraded
7. 17 scheduled airlines operating in the country through 148 operational airports
8 Akasa air's next aircraft order to be in 'three digits'
9 Foreign airlines have dominated Indian skies, time now for Indian carriers

Total Flown Passengers

India was the fourth largest market globally in 2022 in terms of air passengers carried by local carriers, climbing from the 18th position in 2002[10]. Within two decades, the total fleet operated by Indian carriers has grown 6x, while passengers flown (domestic and international) has multiplied 12x. This encapsulates the growth trajectory of the Indian air market which is also reflected in a steady rise in passenger load factors (LF) ranging from 60s in the 2000s to 70s in 2010s. LF higher than 80% has been the new normal for local carriers in recent times, peaking at 92% in May 2023, indicating robust growth in air travel demand.

Table 1: India Air Market — Fleet Size, Flown Passengers (Px) and Load Factors*, FY2000-FY2023

	FY2000	FY05	FY10	FY15	FY20	FY23
Total fleet size of local carriers (#)	119	184	383	409	710	718
Domestic flown px (millions)	13	19	45	70	141	137
International flown px by local carriers (millions)	3	5	12	17	23	24
International flown px (millions)	11	17	32	46	60	54
Domestic LF (%)	60%	65%	72%	79%	86%	82%**
International LF of local carriers (%)	73%	72%	71%	79%	81%	80%**

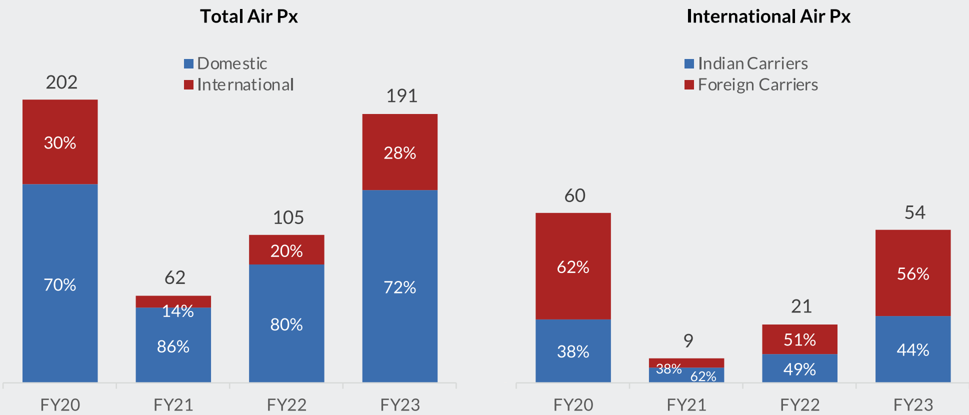
Source: Directorate General of Civil Aviation (DGCA), GoI; Press Information Bureau (PIB)
*DGCA defines passenger load factor as ratio of passenger kilometers performed to available seat kilometers
**Provisional estimates basis calendar year 2022

10. World Bank: Air transport, passengers carried

Domestic vs. International

India's total flown passengers reached 192 million in FY23, marginally below the pre-pandemic levels of 202 million. The domestic passenger traffic stood at 137 million in FY23 (vs. 141 million in FY20) whereas international passenger traffic was trailing at 54 million compared to 60 million in FY20. India is projected to see 350 million domestic and 160 million international flyers by FY30[11].

Figure 1: India Total Flown Passengers (M), FY20-FY23



Average passengers per day ('000)		FY20	FY21	FY22	FY23	Apr'23*
	DOM	387	146	231	375	430
	INT	165	24	57	149	~175

*Provisional figures
Source: Directorate General of Civil Aviation, India; Ministry of Civil Aviation, GoI

The pandemic induced a 70% YoY decline in the total passenger traffic in FY21, while international air passengers dipped by 85%. In FY23, local carriers surpassed pre-pandemic levels of international flown passengers by 5% (24m in FY23 vs. 23m in FY20), while their foreign counterparts fell short by 20%. This trend is reflective of the rising clout of local airlines on international routes vis-à-vis foreign airlines. The share of local airlines in international flown passengers rose from 38% in FY20 to a peak of 62% during pandemic, and has stabilized at 44% in FY23.

Share of Indian airlines in international flown passengers in the coming years has an upside potential due to a host of factors: deployment of twin-aisle airplanes by local carriers on international routes, government incentives to airlines expanding international operations and better utilization of bilateral flying rights. Local carriers are competing aggressively in the short-haul international routes. Their expansion into long-haul international routes is going to be vital for the growth of India's international air traffic.

11. Indian airlines: India the place to be in despite challenges, say airline bosses

Short-haul international routes connecting India with Middle East, South Asia and Southeast Asia, account for roughly 80% of international flown passengers in FY23. The Middle East sees the highest international traffic to and from India; its share has risen marginally from 52% in FY20 to 58% in FY23. This is a consequence of the combined thrust by both local and foreign carriers on direct as well as medium- and long-haul connectivity through Middle Eastern hubs. Southeast Asia, despite its geographic vicinity to India, is still trailing behind pre-pandemic levels of 20%. Four-fifth of Indian international traffic being short-haul i.e., a flight duration of six hours or less, explains the clout of low-cost carriers (LCCs). As the flight duration increases, the role of full-service carriers (FSCs) becomes crucial.

Table 2: India International Flown Passengers (Px), Share by Region- FY20, FY22 & FY23

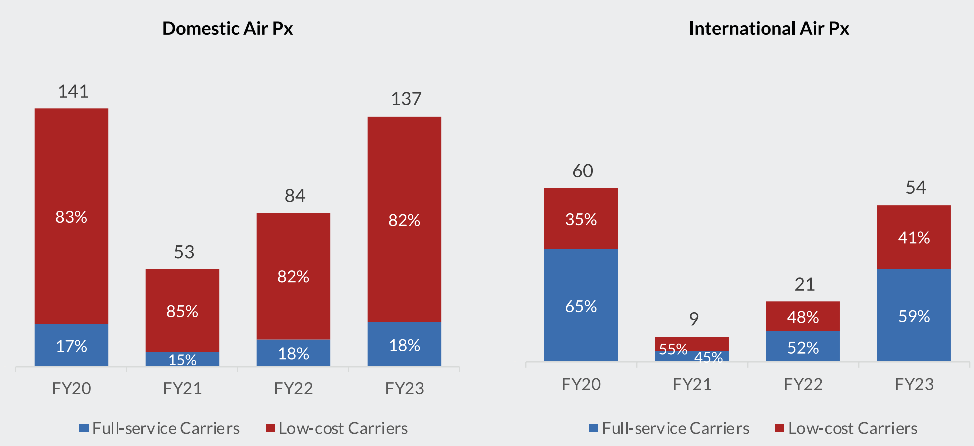
	FY20	FY22	FY23
International Flown Px (millions)	**60**	**21**	**54**
Middle East	52%	70%	58%
Southeast Asia	20%	3%	17%
South Asia	8%	7%	7%
Europe	11%	10%	10%
North America	2%	8%	4%
Others	7%	2%	4%

Source: Directorate General of Civil Aviation, GoI

Low-Cost Carriers (LCCs) vs. Full-Service Carriers (FSCs)

On an aggregate level, the share of LCCs in total flown passengers (Domestic and International) in India grew from 69% in FY20 to 79% in FY23. The Indian domestic air market is dominated by low-cost carriers—LCCs flew 113 million (82%) of all domestic traffic in FY23. LCCs have increased their share in international traffic from 35% in FY20 to 41% in FY23, driven by the short-haul international segment.

Figure 2: India Flown Passengers (M), Share by Airline Type, FY20-FY23



Source: Directorate General of Civil Aviation, India; VIDEC Consultants

IndiGo dominates the Indian skies–it flew 77 million passengers on domestic routes in FY23 (up from 68 million in FY20), and 8.5 million international passengers in FY23, (against seven million in FY20). Tata Group—comprising of Air India, Vistara (FSCs), Air India Express, AirAsia India (LCCs)—has the second largest combined share in Indian commercial aviation market. Between them, IndiGo and Tata Group, command 80% of the domestic market share. Tata Group flew 12 million international passengers in FY23, with a market share of 50% in international passengers carried by local carriers.

Table 3: India Domestic Flown Passengers, FY20 vs. FY23

Airline	Flown Px (millions)		Market Share (%)	
	FY20	FY23	FY20	FY23
IndiGo (LCC)	68	77	48%	56%
Tata Group	33	33	23%	24%
Vistara Airlines (FSC)	8	13	6%	9%
Air India (FSC)	15	12	11%	9%
AirAsia India (LCC)	9	9	7%	7%
Go First (LCC)	15	11	11%	8%
SpiceJet (LCC)	22	11	16%	8%
Akasa Air (LCC)	-	2	-	1%
All Others	3	3	2%	2%
Total Flown Px	**141**	**137**	**100%**	**100%**

Source: Directorate General of Civil Aviation, GoI

Go First, previously known as Go Air, had a market share of 8% in FY23 and the temporary halting of its operations in May '23 has led to constrained domestic capacity. SpiceJet, the other troubled local LCC, flew 11 million passengers on domestic routes and 1.9 million passengers on international routes in FY23. The supply crunch for crucial aircraft parts has been challenging and is the primary reason behind the financial woes of many airlines, including SpiceJet and Go First. The 12-month-old domestic operator, Akasa Air has delivered a stellar performance flying 20 aircraft and gaining a market share of 5% in the month of June 2023.

Table 4: India International Flown Passengers, FY20 vs. FY23

Top Ten Airlines	Flown Px (millions)		Market Share (%)	
	FY20	FY23	FY20	FY23
IndiGo (LCC)	7.0	8.5	12%	16%
Air India (FSC)	7.0	6.7	12%	12%
Emirates (FSC)	5.5	5.3	9%	10%
Air India Express (LCC)	4.6	4.1	8%	8%
Singapore Airlines (FSC)	1.6	2.0	3%	4%
Qatar Airways (FSC)	2.0	2.0	3%	4%
SpiceJet (LCC)	2.8	1.9	5%	4%
Air Arabia (LCC)	1.7	1.8	3%	3%
Go First (LCC)	1.0	1.3	2%	2%
Etihad Airlines (FSC)	2.7	1.2	4%	2%
All Others	24.4	19.6	41%	36%
Total Flown Px	**60.3**	**54.4**	**100%**	**100%**

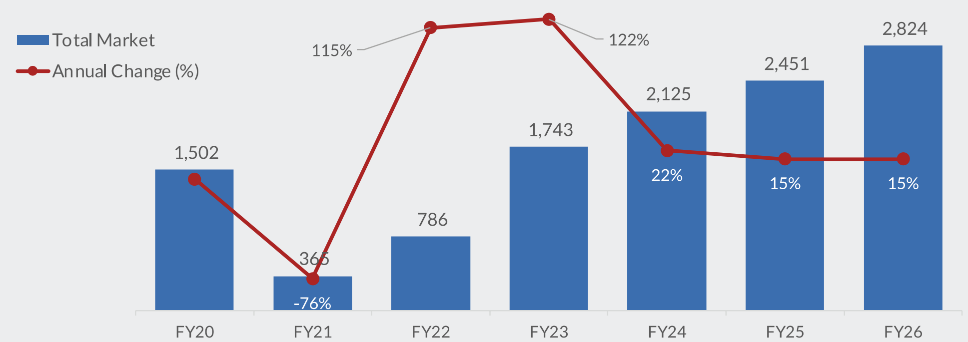
Source: Directorate General of Civil Aviation, GoI

India Total Air Market

Air is the largest among the four-travel categories (hotel, rail and intercity-bus), accounting for roughly half of the total Indian travel market in FY23.

The total Indian air gross booking value (GBV) was estimated at ₹1,743 billion ($21.8B) in FY23, surpassing the ₹1,502 billion ($21.2B) in FY20. The weakening of the rupee against the US dollar in the last three years by about 15% undermines GBV in dollar terms.

Figure 3: India Total Air Market (₹B) and Annual Change (%), FY20-FY26

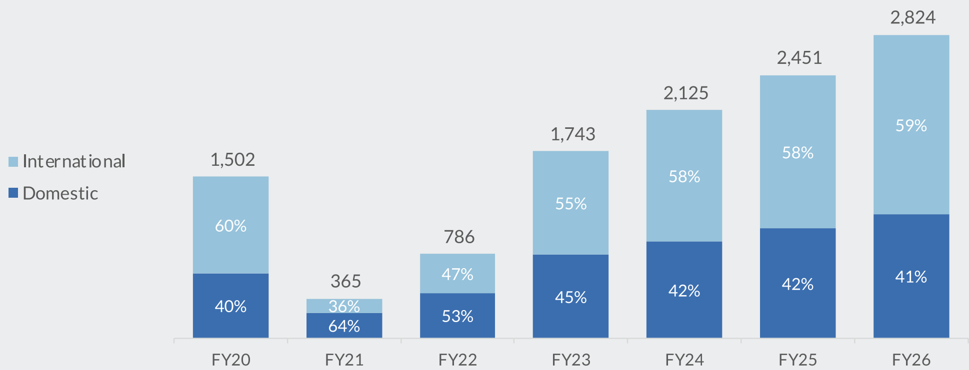


US$B	21.2	4.9	10.5	21.8	26.6	30.6	35.3
YoY	-	-77%	114%	107%	22%	15%	15%

Note: Total air market includes passenger revenues of all local and international carriers operating to/from India. FY24-FY26 projected; with select projections for FY23. Refer methodology for more details.
Source: VIDEC Consultants

The domestic air GBV stood at ₹781 billion ($9.8B) in FY23, up 30% from ₹601 billion ($8.5B) in FY20. This growth is at the back of demand-driven high airfares, even though passenger count is trailing for the same period. The domestic segment will grow at a CAGR of 14% during FY23-FY26, reaching ₹1,156 billion ($14.5B).

Figure 4: India Air Market (₹B), Share by Destination (%), FY20-FY26



	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Domestic YoY	-	-61%	78%	87%	15%	14%	13%
International YoY	-	-86%	182%	161%	27%	16%	17%

Note: Total air market includes passenger revenues of all local and international carriers operating to/from India. FY24-FY26 projected; with select projections for FY23. Refer methodology for more details.
Source: VIDEC Consultants

International air GBV was estimated at ₹963 billion ($12B) in FY23, nominally rising from ₹901 billion ($12.7B) in FY20, notwithstanding the lack of full recovery in international passenger traffic due to network and capacity issues. While international traffic accounted for 28% of the total flown passengers, it contributed 55% to the total air GBV in FY23, owed to higher average ticket price (ATP).

Fare hikes in air category have been the highest among all four travel categories, recording a double-digit growth in FY23 over FY20. Factors fueling the prevailing growth in ATPs include:

1. Resilient demand-side: The pent-up demand from leisure travelers, along with a staggered recovery in business travel have ensured flight booking volumes remain solid despite higher fares.
2. Supply constraints: The supply side is constrained by sluggish delivery of aircrafts and related spare parts. This, combined with market consolidation in the domestic airline industry, has resulted in higher airfares.
3. Rise in fuel cost: Crude oil prices climbed by 81% between January 2020 and April 2022[12] as a consequence of post-pandemic recovery in industrial demand and the war in Ukraine. This pushed up the cost of aviation turbine fuel (ATF) for airlines across the globe.

12. Crude oil prices — 70-year historical chart

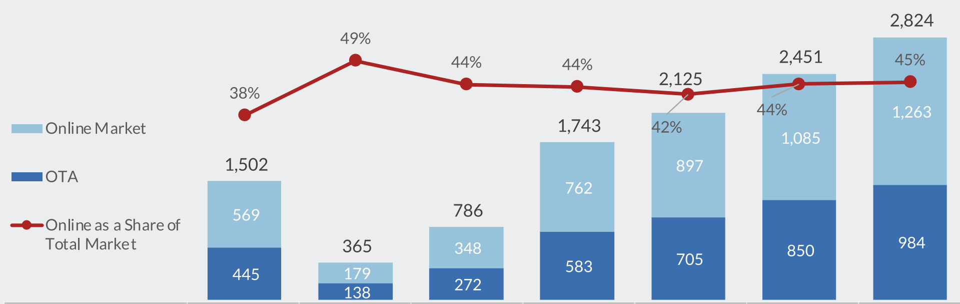
The sustained and incessant hike in ATPs calls for rationalization of fares, which is also sounded off by the Ministry of Civil Aviation. The price sensitivity of Indian flyers could lead to tapering of demand if fares remain elevated. The local carriers have enhanced operational efficiency to drive better yields through a variety of measures such as smart network planning and optimized dynamic pricing.

The recovery and growth in international segment are going to spearhead the total air market CAGR for the next three fiscals. The total air GBV is projected to rise to ₹2,824 billion ($35.3B) by FY26, growing at a CAGR of 17.4% during FY23-FY26, making it the fastest growing travel category. In the same period, international air GBV will reach ₹1,667 billion ($20.8B) by FY26, growing at 20.1% CAGR.

India Online Air Market

The online air market was estimated at ₹762 billion ($9.5B) in FY23. It is projected to reach ₹1,263 billion ($15.8B) by FY26, or 45% of the total air GBV. The online penetration peaked at 49% in FY21, because of a near-standstill in international demand.

Figure 5: India OTA and Online Air Market (₹B), and as a Share of Total Air Market (%), FY20-FY26

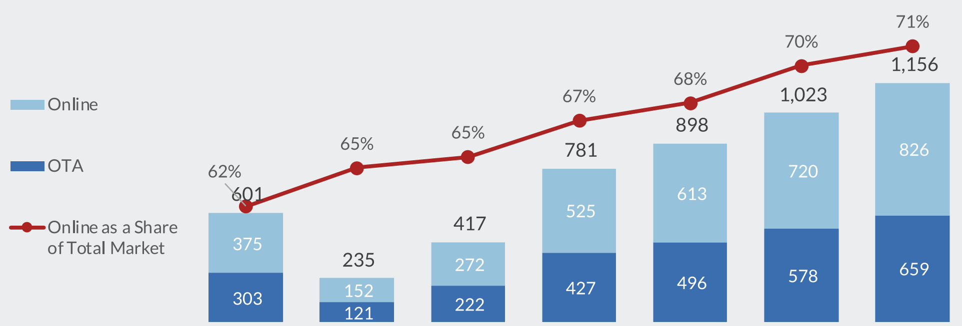


OTA as a Share of	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Online Market	78%	77%	78%	77%	79%	78%	78%
Total Market	30%	38%	35%	33%	33%	35%	35%

Note: Total air market includes passenger revenues of all local and international carriers operating to/from India. FY24-FY26 projected; with select projections for FY23. Refer methodology for more details.
Source: VIDEC Consultants

The domestic online market is highly penetrated at 67%, in stark contrast with the international segment at 25% in FY23. The online penetration in domestic air market has shown a steady growth from 62% in FY20 and is projected to reach 71% by FY26. In the international segment this will rise to 26% in FY26. Here, the higher ticket-size and the complexity necessitates the expertise of traditional travel advisors.

Figure 6: India Domestic OTA and Online Air Market (₹B), and as a Share of Domestic Air Market (%), FY20-FY26



OTA as a Share of	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Online Market	81%	80%	82%	81%	81%	80%	80%
Total Market	50%	52%	53%	55%	55%	57%	57%

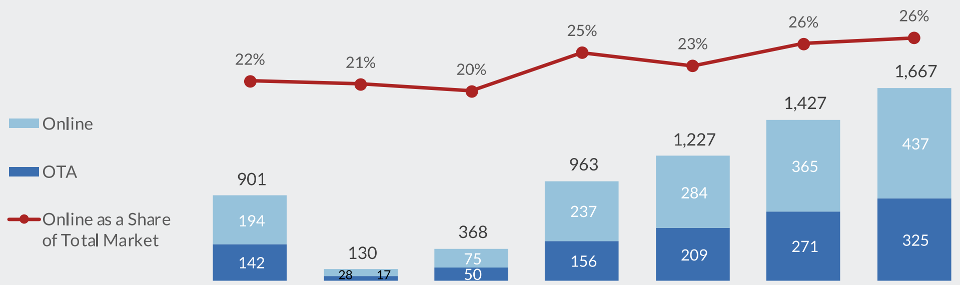
Note: Domestic air market includes passenger revenues of all local operating within India. FY24-FY26 projected; with select projections for FY23. Refer methodology for more details.
Source: VIDEC Consultants

India OTA Air Market

The Indian online travel agency (OTA) air GBV stood at ₹583 billion ($7.3B) in FY23, beating the FY20 levels by more than 30%. It is projected to grow at a robust CAGR of 19% during FY23-FY26, reaching ₹984 billion ($12.3B).

OTAs remain the dominant online distribution channel for air. On the domestic segment, OTAs grossed ₹427 billion ($5.3B), with a market share of 81% of online domestic air GBV while OTA air GBV in international segment amounted to ₹156 billion ($2.0B), denoting 66% of online international air GBV in FY23. However, OTAs accounted for just one-third of the total air GBV in FY23, showcasing a massive runway for growth.

Figure 7: India International OTA and Online Air Market (₹B), and as a Share of International Air Market (%), FY20-FY26



OTA as a Share of	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Online Market	73%	61%	66%	66%	73%	74%	74%
Total Market	16%	13%	14%	16%	17%	19%	20%

Note: International air market includes passenger revenues of all local and international carriers operating to/from India. FY24-FY26 projected; with select projections for FY23. Refer methodology for more details.
Source: VIDEC Consultants

Barring Booking.com, the air category has been the mothership for most first generation OTAs world over, as it was the travel category that initiated consumers to move online. At the onset of the millennium, the air market in India got democratized with the advent of domestic LCCs such as Air Deccan, Kingfisher and IndiGo. This created a plethora of choices for consumers, necessitating the need for all airline information, such as routes, schedules, and price comparisons, to be available on a single window. Consequently, trailblazers in the Indian OTA space–Cleartrip, MakeMyTrip and Yatra–replicated the global OTA model, beginning with the air segment.

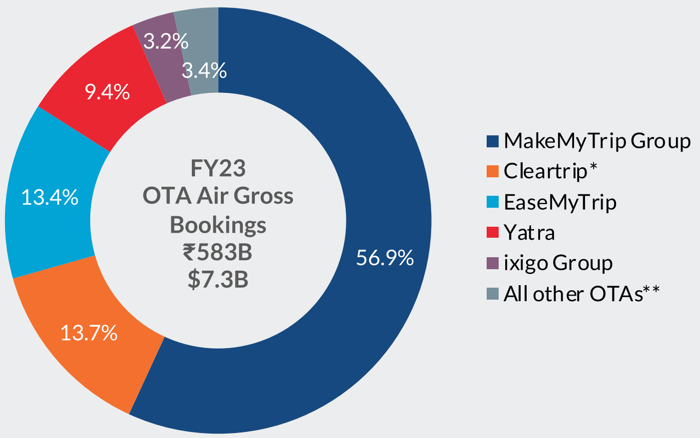
Flights continue to be the largest contributor to the GBV of most OTAs. Widespread access to the Internet and a well adopted digital payment mechanism, coupled with increasing connectivity to non-metro cities and rising purchasing power has brought in a vast number of first-time flyers into the market. Those traditionally traveling via ground transport are steadily upgrading to flights, representing a huge opportunity for OTAs.

Almost all Indian OTAs have varying degrees of B2B business, besides the consumer-direct B2C business in their GBV mix. The B2B business includes the travel agency business, the corporate travel business (both TMC and self-service/SBT model) as well as the content/API play. The share of B2B varies for different OTAs, depending on their strategic mandate. B2B drives volumes but is capital intensive and pre-requisites consistent liquidity.

There is a long tail of Indian OTAs, the biggest of which are traditional B2B travel aggregators and distributors with an online consumer-direct play. These B2B players generally have an enormous travel agent network that they enable through technology and content aggregation. They are especially significant in the international segment because of the complexity and need for personalization. Travel Boutique Online (TBO) is the largest B2B consolidator in India without any B2C interface, while others such as Akbar Travels, Riya Travel, Via and Tripjack, offer B2C bookings.

While the last decade was all about pursuing topline growth at any cost, today it's also about building sustainable business with an eye on profitability. Ergo, the higher margin hotel category is a natural progression for OTAs once they have firmed up air offerings and get to a sizeable user base. The ground transportation category, namely rail and intercity bus promises a large user base for a high frequency, lower priced travel product. Beyond the verticalized travel play, Indian OTAs are also banking on ancillary revenue streams such as advertising and fintech. The advertising model essentially capitalizes on the existing user base at no additional cost.

Figure 8: India OTA Air Gross Bookings (GBV), Share by Top OTAs (%), FY23



Note: OTA GBV is arrived using a demand side top-down approach. The OTA benchmarking numbers may have variance with the published IR/ guidance by OTAs and/or suppliers. OTA air GBV includes passenger revenues of all local and international carriers operating to/from India.
*VIDEC estimates.
**includes major local and global OTAs operating in India.

The MakeMyTrip Group holds the commanding share (56.9%) of the OTA air GBV in FY23. Flipkart-backed Cleartrip follows with a 13.7% market share, and EaseMyTrip at 13.4% share. Yatra and ixigo Group have 9.4% and 3.2% share respectively. The global OTAs, Indian OTA long tail and the consumer business of the major B2B distributors make up the remainder.

Conclusion

In light of the big-bang aircraft orders, high load factors and a healthy growth in both flown passengers and GBV, the Indian airline industry is set for stellar growth. The last three decades belonged to China. India is set to mirror a similar growth trajectory as air connectivity widens from tier-1 to tier-3 cities. The ever-increasing global Indian diaspora, broader economic boom, and growth of the Indian travel and tourism industry will pave the way for a resurging Indian air market.

The demographics dictate the growth outlook in most emerging markets. India is endowed with a young and aspirational population with rapidly increasing income levels. As existing traveler cohorts mature, resulting in a higher frequency and spend, the explosive growth will be propelled by millions of first-time air travelers. The journey of the Indian air travel market from 200 million to 500 million passengers and a fleet size of 700 to 1,500 planes will set the broad contours for growth in the next decade.

OTAs tend to do remarkably well in emerging markets because consumers are price-sensitive and value-conscious. High fragmentation in air, coupled with the near trebling of domestic and international air traffic, creates fertile ground for OTAs. The OTAs are notably credited for bringing the Indian air category online. With their technology and product prowess, they command the lion's share of the online air market and will continue to scale new highs as air penetration expands to the Indian hinterlands.

VIDEC Consultants Private Limited
Contact: virendra.jain@videc.co
Phone: +91-932-024-2002