



VIDEC's

# India Ground Transportation Market Sizing & OTA Benchmarking Study, FY20-FY26

Overview and analysis of Indian ground transportation market opportunity; a spotlight on rail and intercity bus market, along-with the India based OTA Landscape.

Written by:  
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PARTNERS

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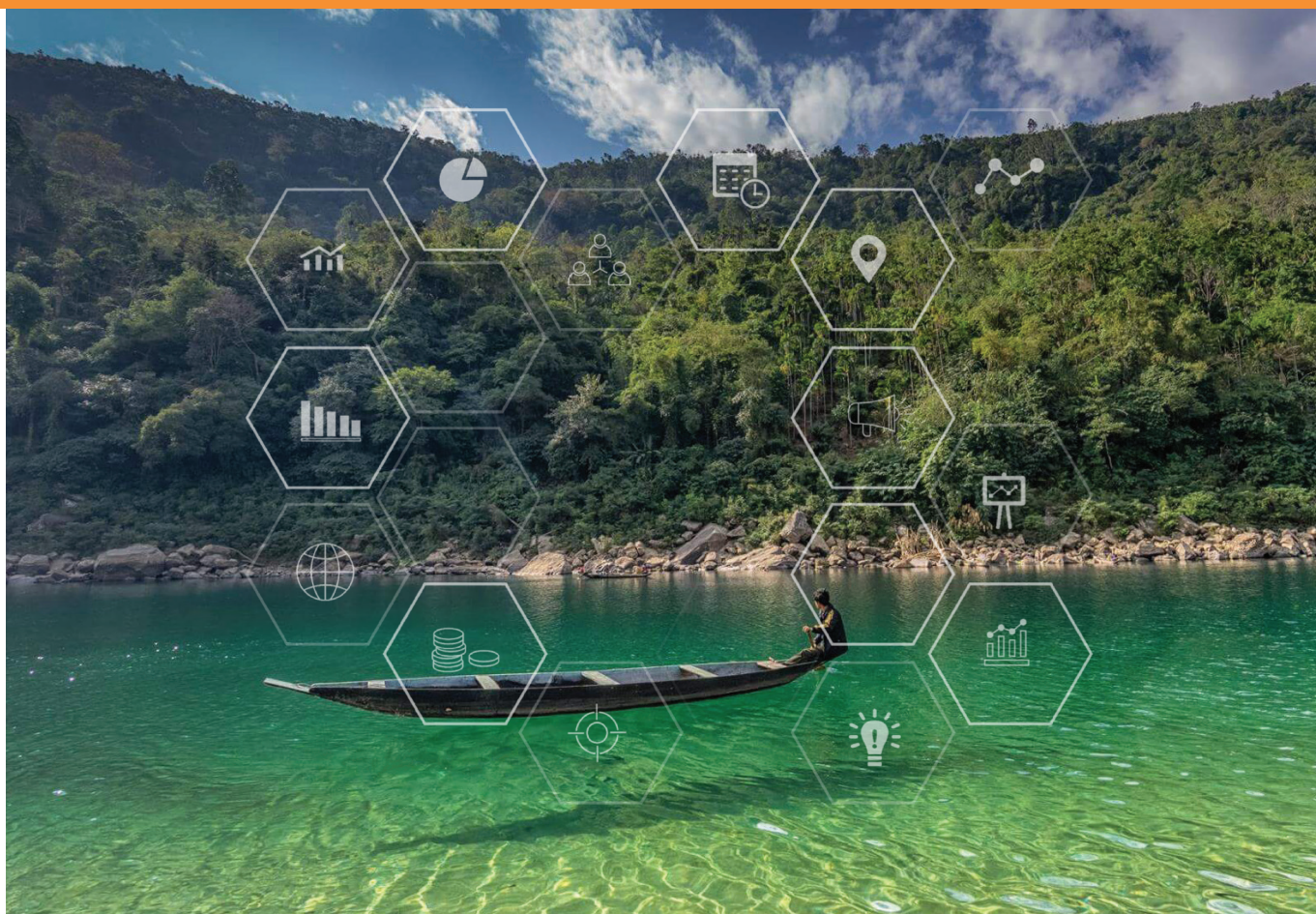
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VIDEC began this research with a set objective and a comprehensive scope that it felt was seminal to the growth of the India travel market henceforth.

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.







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## Key Findings

1. The Indian rail market reached its life-time high GBV of ₹617 billion (US\$7.7B) in FY23, up 63% from ₹378 billion (\$5.1B) in FY22. It is projected to rise to ₹801 billion (\$10B) by FY26, growing at a CAGR of 9% during FY23-FY26.
2. The online channel accounted for 82% of total IRCTC bookings, valued at ₹393 billion (\$4.9B) in FY23. It is projected to reach ₹597 billion (\$7.5B) by FY26, or 87% of the total IRCTC rail bookings.
3. Supplier-direct is the dominant online distribution channel, accounting for 76% or ₹298 billion (\$3.7B) of all IRCTC rail bookings and is estimated to reach ₹421 billion (\$5.3B) in FY26, growing at an CAGR of 12.3% during FY23-FY26.
4. The share of supplier-direct online in rail is the highest across all travel categories. However, the OTA channel is gaining share in IRCTC's online rail bookings – its share grew from 15% in FY20 to 24% in FY23.
5. ixigo Group, which owns ConfirmTkt, is the market leader in indirect online rail distribution, cornering about half of the B2C rail GBV.
6. The high share of supplier-direct online has saturated IRCTC's growth prospects, ergo the potential inclusion of unreserved bookings in its fold could unravel next growth frontier for IRCTC.
7. The intercity bus market is estimated at its life-time high of ₹539 billion (\$6.7B) in FY23, more than double that in FY22. It is projected to reach ₹688 billion (\$8.6B) by FY26, growing at an CAGR of 8.5% during FY23-FY26.
8. The online channel accounted for just 19% of total bookings, valued at ₹100 billion (\$1.2B) in FY23. It is projected to reach ₹176 billion (\$2.2B) by FY26, or 26% of the total market.
9. OTA is the dominant online distribution channel, accounting for 88% or ₹88 billion (\$1.1B) of all online bus bookings in FY23 and is estimated to reach ₹153 billion (\$1.9B) FY26, growing at an CAGR of 21% during FY23-FY26.
10. MakeMyTrip Group, which owns redBus, has a commanding share of 75% in the OTA intercity bus market in FY23.
11. The intercity bus market in India is about 85% of the rail category (₹617B) in FY23. However, it's highly under-penetrated at 19% compared to rail at 82%. Bus category will provide the much-needed cushion for the growth in Indian online travel category, as domestic air and rail categories reaches saturation.
12. The intercity bus category is hugely fragmented with a combined total of 100,000 services daily, operated by approximately 4,500 private bus operators and over 25 state road transport corporations (SRTC's).



## Methodology

The report presents market sizing, projections, and industry trends for the Indian ground transportation market – the rail and intercity bus categories, for FY20-FY26.

The total market is segmented into following channels:

- Online GBV are generated via consumer-facing websites and apps that sell directly to consumers, including supplier-direct online, online travel agencies (OTA) and e-commerce marketplaces.
- VIDECON 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.

The following methodology was used to assess the GBV for each travel category:

- Rail: Total rail market represents non-commuter passenger revenue of Indian railways, including all reserved and unreserved passenger classes. Online rail bookings include all online bookings made via IRCTC website/ app as well as its B2C channel partners (OTAs, e-commerce marketplaces et al). For the purpose of this report, bookings made through B2C channel is referred to as OTA bookings.
- Intercity Bus: Estimates for Intercity bus market are based on routes/ services operated by both private bus operators and SRTCs, connecting cities/ towns that are typically 150+ kilometers apart. These services have a fixed schedule and/ or stops, and are discoverable online. All routes/ services that ply on intra-city (within same city or suburbs) or connect cities/ towns to adjoining towns/ villages, usually have flexible schedules/ stops, and are not discoverable online, are excluded from this sizing.

VIDECON conducted executive interviews with suppliers including rail and bus operators 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 government statistics, executive interviews, economic indicators, market trends, and VIDECON 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

## Introduction

In the last decade, the physical and digital infrastructure in India has witnessed a quantum leap. Infrastructure investment worth ₹111 trillion (\$1.4 trillion) has been planned during FY20-25, under the National Infrastructure Pipeline<sup>1</sup>. One-third of this is earmarked for transportation. In digital payments, India has gained the 3rd position globally, clocking over 6 billion transactions every month<sup>2</sup>.

The geographical, cultural, demographical, and economic diversity within India necessitates the progress of all modes of transportation. Ground transport not only caters to long-distance travel, but also provides the critical last-mile connectivity to travelers. Ground transport for the scope of this report comprises intercity bus and rail categories.

Rail and bus have historically been, and continue to be, the two largest modes of transportation in terms of passenger volumes. The two are in many ways connected, their growth prospects complementary. The network, lower ticket price, booking flexibility and last-mile connectivity are the core strengths for the intercity bus, while comfort and traversing longer distances at economical rates is the USP of rail.

The rail and intercity bus categories together accounted for 30% of the total travel market in FY23 with a combined valuation of ₹1,156 billion (\$14.5B). Of this, the total rail GBV amounted to ₹617 billion (\$7.7B) and the total intercity bus GBV stood at ₹539 billion (\$6.7B). To put things in perspective, the total air market for the same period stood at ₹1,743 billion (\$21.8B), with a 45% share of the total travel market.

After a decade of rapid growth, the online reserved rail market under the sole purview of the government owned IRCTC is approaching saturation. In FY23, the online penetration of the Indian rail market stood at 82%. In contrast, the intercity bus market, with an online penetration of 19%, offers plenty of headroom for a sustained growth.



<sup>1</sup>. Building New India: The National Infrastructure Pipeline

<sup>2</sup>. UPI records 6 billion transactions in July, highest ever since 2016



The intercity bus category comprises over 4,500 private bus operators and over 25 SRTC, creating an enormous fragmentation on the supply side. This justifies the critical role played by indirect online distributors, especially OTAs, which accounted for 88% of online intercity bus market in FY23. There is a monopoly of supply in the online rail market, due to which supplier-direct continues to be the dominant distribution channel. However, IRCTC is encouraging synergistic collaboration with indirect distributors, while OTAs are innovating their product offerings extensively.

MakeMyTrip Group, primarily through its subsidiary redBus, holds a commanding three-fourth share in the intercity OTA bus GBV in FY23, making it the category leader. ixigo Group, though a distant second, is catching up in the intercity bus category through its subsidiary AbhiBus. In rail, B2C channels (OTAs, ecommerce marketplaces and other indirect points of sale) cornered roughly one-fourth of the online rail GBV in the same period. ixigo Group, including its subsidiary ConfirmTkt, leads the B2C rail GBV with nearly 50% market share. Ecommerce marketplaces such as Paytm and Amazon, and OTAs such as MakeMyTrip Group and RailYatri cumulatively make up for the rest of the B2C rail GBV.



## Rail Category

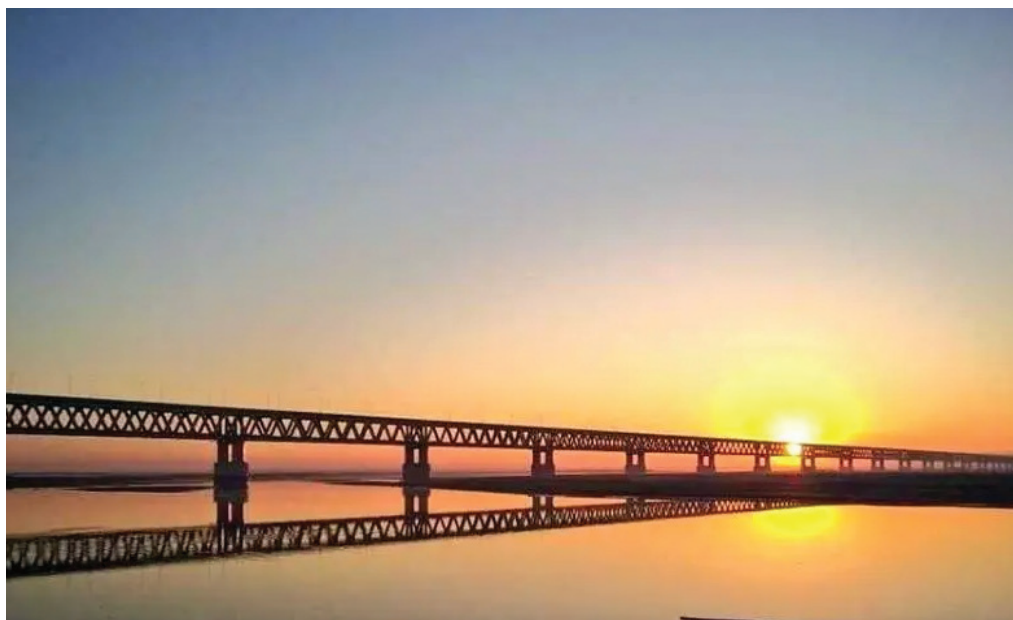
### Overview

Rail has been the beating heart of Indian transportation since its inception over 150 years ago. The connectivity provided by Indian Railways is unparalleled, considering the country's vast landmass and diverse geography. It has something to offer to consumers across different social strata, from the premium travelers of Vande Bharat and Rajdhani Express, to the billions traveling in the unreserved class. Indian Railways has one of the largest railway networks in the world with a route length exceeding 68,000 km as of March 2023<sup>3</sup>.

The electrification of the railway network has gained pace in recent years reaching 90% of the total broad-gauge network in FY23<sup>4</sup>. It's expected to go up to 100% in the next fiscal. India is much ahead in terms of railway electrification than other countries with comparable railway networks. China has electrified about 75% of its railway network, while Europe stands at 60%<sup>5</sup>.

The capital outlay for Indian Railways is budgeted at ₹2.4 trillion (\$30 billion) for FY24, nine times that in FY13. Under the 'Amrit Bharat Station' scheme, 1,275 stations are being redeveloped and modernized out of more than 7,000 railway stations spread across the country. The scheme aims to develop self-sustainable railway stations with world-class amenities, in line with the airport experience.

Indian Railways runs more than 13,000 passenger trains daily, more than half of which are operated for non-commuter sector. About 250-300 premium completely airconditioned trains were operational in FY23, including 52 Rajdhani, 44 Shatabdis and eight Tejas trains<sup>6</sup>. The government has set a target of launching 75 semi-high speed Vande Bharat trains, out of which 23 are operational as of June 30, 2023. The Dedicated Freight Corridor Project is expected to be fully operational in 2023. This will decongest the rail network and increase the scope for running a greater number of passenger trains.



<sup>3</sup>. Indian Railways Yearbook 2021-22

<sup>4</sup>. Indian Railways is rapidly progressing to accomplish Mission 100% Electrification

<sup>5</sup>. Europe, China, & India Can Electrify All Rail. Why Can't The US?

<sup>6</sup>. Train List - Railway Enquiry.



The launch of newer high-speed trains along with enhanced safety mechanisms through the induction of 'Kavach' (automated train protection system)<sup>7</sup> has set the stage for an increase in average speed of passenger trains to the targeted 80 kmph from the current 50 kmph. Notably, Vande Bharat trains are configured with a top speed of 180 kmph with an average operational speed of 130 kmph.

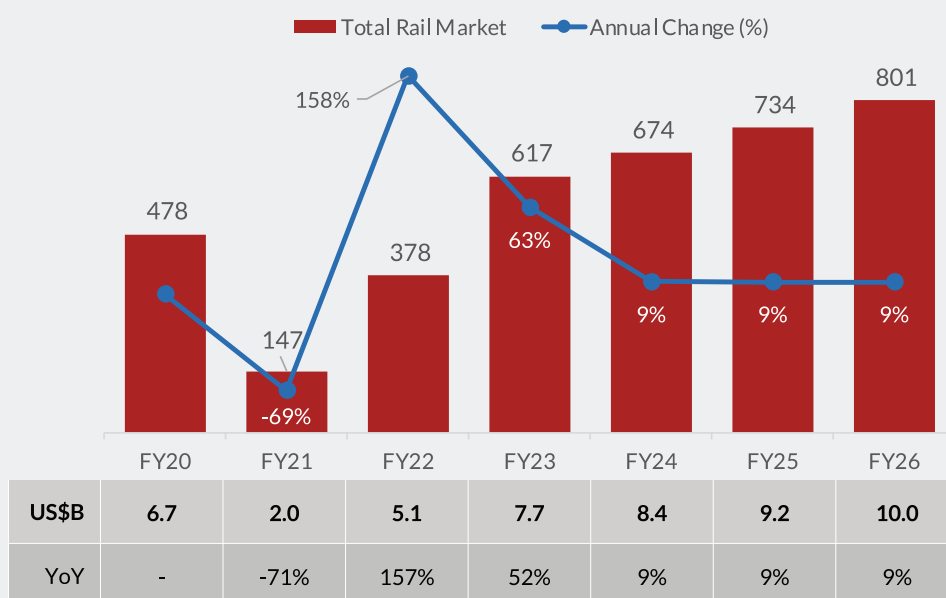
The Indian Railways has been focusing on enhancing passenger experience by ensuring cleanliness in trains as well as stations and providing modern amenities such as comfortable seating, aesthetic interiors, quality onboard catering, LED screens, and Wi-Fi connectivity.

There has been a tectonic shift in attitude of the Indian Railways towards customer centricity. It is showing faster responsiveness towards passenger grievances related to service quality and passenger safety (particularly, women). In the last five years, the efficiency of passenger redressal has increased by leaps and bounds, even instantaneously, in light of seamless customer engagement over social media and other online channels.

### Total Rail Market

The Indian rail market achieved a lifetime high in total passenger revenue in FY23, grossing ₹617 billion (\$7.7 billion), accounting for one-sixth of the total travel market in India. Compared to FY22, the total rail market grew by 63%, even surpassing FY20 GBV by 30%. Indexed to FY20, the growth in rail category was twice the growth in total travel market (14%), making it the fastest growing travel category post-pandemic.

**Figure 1: India Rail Market (₹B) and Annual Change (%), FY20-FY26**



\*Provisional estimates as per Union Budget of India, 2023-24. Note: Total rail market includes all non-commuter passenger revenues of Indian Railways. FY24-FY26 projected; with select projections for FY23. Refer methodology for more details.



Source: Indian Railways; VIDECON Consultants

7. 'KAVACH' System in Trains to Prevent Accidents

Indian Railways carried 6.6 billion passengers in FY23 out of which non-commuter segment accounted for 2.9 billion passengers – the scope of rail sizing in this report. In comparison, passengers in the non-commuter segment stood at 3.5 billion in FY20, plummeting by 90% (333 million) in FY21. Of the 2.9 billion passengers carried in FY23, 21% travelled in the reserved class, but accounted for a staggering 71% of the total rail gross booking value (GBV).

Even though passenger traffic in FY23 is still lagging at 84% of the pre-pandemic levels, the total rail GBV has reached 130%. This phenomenal growth in GBV is due to variety of factors:

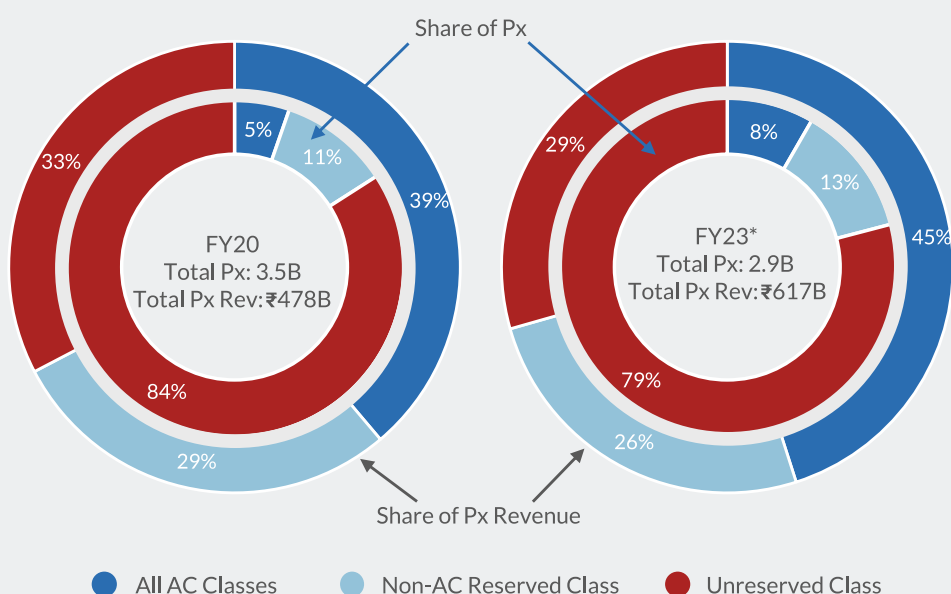
**i. Vertical shift to higher fare classes:** The AC class contributed 5% to passenger traffic and 39% to passenger revenue in FY20. In FY23, its share in traffic rose to 8%, while revenue share grew to 45%.

**ii. Capacity growth in AC class:** The change in reserved train configuration with an increased number of AC coaches, along with addition of newer, completely airconditioned trains, has ensured that AC class stands for 40% of the passengers carried in the reserved classes.

**iii. Fare hikes:** In October 2022, Indian Railways increased the fare by ₹75 per passenger in AC-1 and Executive class of trains, ₹45 in AC-2 and AC-3 chair car and ₹30 per passenger in Sleeper class of trains<sup>8</sup>. This contributed to a broader improvement in the average passenger yield (paisa per px-km) in FY23:

**iv. Dynamic fares:** The launch of dynamic fares (capped at 1.5 times of normal fares) and the extension of tatkal bookings to a higher number of trains has also boosted yields.

**Figure 2: India Rail Passenger (B) and Passenger Revenue (₹B), Share by Seat Class, FY20 vs. FY23**



\*Provisional estimates as per Union Budget of India, 2023-24

Source: Indian Railways; VIDECON Consultants

8. Railway Travel New Rate List Introduced



**Table 1: Indian Railways, Passengers Carried (M) & Passenger Revenues (₹B), By Rail Classes, FY20 & FY23**

Fare Class	Passengers Carried (Millions)		Passenger Revenue (₹Billions)	
	FY20	FY23*	FY20	FY23*
Unreserved class	2,932	2,307	156	182
All reserved classes	556	611	322	436
All AC classes	186	243	186	278
Non-AC reserved class	370	368	136	158
<b>All fare classes</b>	<b>3,489</b>	<b>2,918</b>	<b>478</b>	<b>617</b>
Air: Domestic flown passengers	141	137	601	781

\*Provisional estimates as per Union Budget of India, 2023-24

**Table 2: Indian Railways, Passenger Yield (Paisa per px-km), FY20 & FY23**

(₹1=100 paisa)	FY20	FY23
All AC classes	141	149
Non-AC reserved class	51	57
Unreserved class	30	43
<b>All fare classes</b>	<b>52</b>	<b>69</b>

The total rail market is projected to reach ₹801 billion (\$10 billion) by FY26, growing at a CAGR of 9% during FY23-FY26. The key contributors for this growth are: further rationalization in average fares by class, launch of high-speed trains, dedicated freight corridors enabling higher utilization of the existing network for passenger trains, and an improvement in overall travel experience.

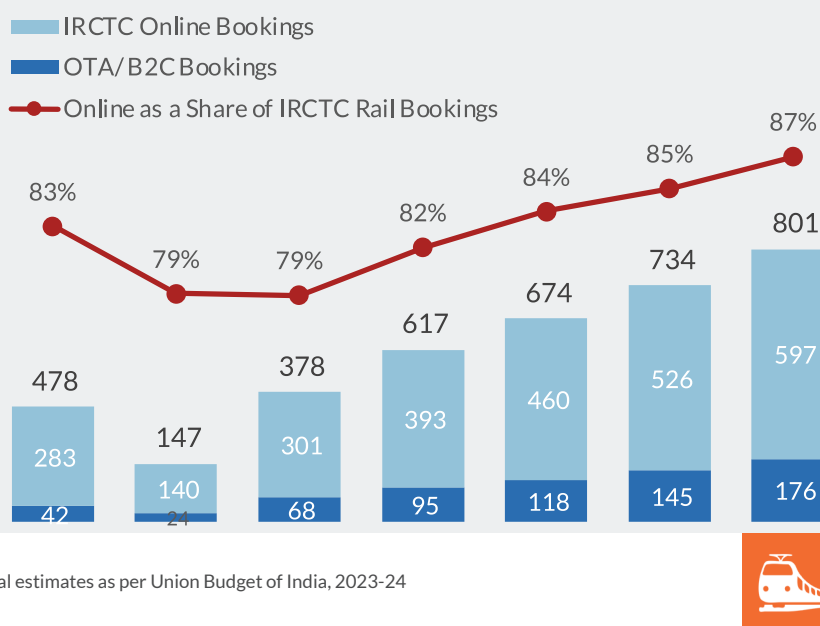


Picture Credit - Vivek Kapoor - [https://instagram.com/\\_musafir?utm\\_medium=copy\\_link](https://instagram.com/_musafir?utm_medium=copy_link)

## Online Rail Market

Launched in 1999, IRCTC is a public sector undertaking that handles the reserved class ticketing for Indian Railways. The online inventory of these reserved classes is sold by IRCTC directly via its app and website. Furthermore, IRCTC has authorized some third-party distributors, including OTAs, to sell rail tickets, in lieu of a fee (including one-time integration charges, annual maintenance charges and a transaction charge per ticket). From all the leading OTAs to players such as ICICI Bank, Airtel Payments Bank and Justdial, IRCTC has about 30 registered principal service providers (PSP) under the B2C scheme<sup>9</sup>. Bookings generated by these PSPs are rolled up by IRCTC under the Business to Customer (B2C) channel.

**Figure 3: India OTA and IRCTC Online Rail Bookings (₹B), and as a Share of IRCTC Total Rail Bookings (%), FY20 vs. FY23**



Source: Indian Railways; VIDECON Consultants

IRCTC was the only entity in the Indian travel market to achieve full recovery in FY22 reaching ₹481 billion (\$6.0 billion), surpassing pre-pandemic level of ₹341 billion (\$4.8 billion) by over 40%. It is the most transacted travel website in India with a powerful technology stack supporting 7,200 ticket bookings per minute. In FY23, IRCTC averaged around 1.1 million ticket bookings per day. B2C channels clocked around 225,000 bookings per day, with OTAs accounting for the majority share.

The rail category has the highest online penetration in the Indian travel market. The online channel accounted for 82% of total IRCTC bookings, valued at ₹393 billion (\$4.9B) in FY23. It is projected to reach ₹597 billion (\$7.5B) by FY26, or 87% of the total IRCTC rail bookings. The online rail market accounts for a quarter of the Indian online travel market.

<sup>9</sup> IRCTC Authorized Service Providers (Agents)



Online rail distribution remains dominated by supplier-direct, accounting for 76% or ₹298 billion (\$3.7B) of all IRCTC rail bookings in FY23. It is estimated to reach ₹421 billion (\$5.3B) in FY26, growing at 12.3% CAGR during FY23-FY26. The share of supplier-direct channel in online rail market is also the highest across all travel categories.

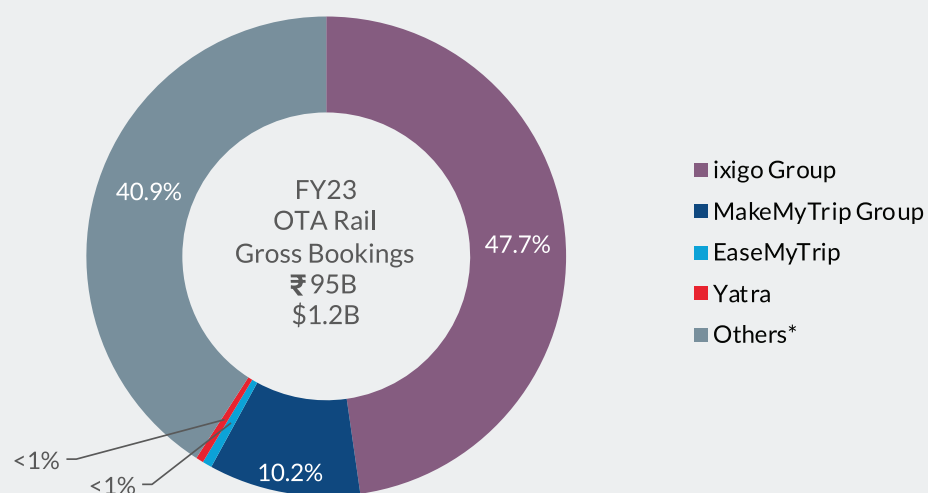
A nuanced understanding of the online rail scenario reveals that unlike other public travel companies, the GBV and volume numbers reported by IRCTC are not net of cancellations. Typically, the cancellation rate for IRCTC hovers around 20%, indicating that roughly one in five tickets booked on IRCTC gets cancelled. During the pandemic the cancellation rate peaked at 40-50%, due to increased travel uncertainty, as a result of which the IRCTC online GBV went even higher than Indian Railways' reserved rail GBV.

The high share of supplier-direct online has saturated IRCTC's growth prospects, ergo the potential inclusion of unreserved bookings in its fold could unravel the next frontiers for growth for IRCTC. Currently, the Centre for Railway Information Systems Unreserved Ticketing System (CRIS UTS) deals with the online distribution of unreserved tickets. In terms of volume, the unreserved class represents a massive opportunity for online distributors. As OTAs are better at driving customer engagement and satisfaction, the inclusion of unreserved ticketing under the IRCTC gambit could provide access to a virgin user base, resulting in enhanced revenue opportunities through cross-sell and up-sell.

### OTA Rail Market

Rail provides a foot-in-the-door for OTAs and ecommerce marketplaces to reach the next billion users. With relatively lower ticket size and easy online adoption, it provides a cheap customer acquisition channel for the OTAs. Despite rail being a relatively low margin product, OTAs don't want to miss out the proverbial train as rail category is all about volumes and cross cultivation, leveraging superior customer engagement.

**Figure 4: India OTA Rail Gross Bookings (₹B), 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.  
\*Others include marketplaces such as Paytm and Amazon, OTAs such as RailYatri, and other points of sale classified as B2C by IRCTC.

Source: VIDECON Consultants, Company earnings releases

The OTA rail market in FY23 at ₹95 billion (\$1.2 billion) was 2.25x that in FY20. It is projected to grow at 23% CAGR from FY23 to FY26 to reach ₹176 billion (\$2.2 billion). The share of indirect online distribution channels has risen from 15% in FY20 to 24% in FY23 and is estimated to reach 30% by FY26.

ixigo Group is the market leader in indirect online rail distribution, cornering about half of the OTA rail GBV. Of the remaining half, the ecommerce marketplaces, namely Paytm and Amazon along with the rail dedicated OTA, RailYatri hold around a 40% share. MakeMyTrip Group via its three OTA brands generates one-tenth of the OTA rail GBV.

ixigo Group, for which ground category contributes more than half of its GBV, has successively established that rail and intercity bus categories can make money. ixigo Group's second highest revenue in the OTA category testifies it.

OTAs bring value by providing better experience through product innovation, notably around fintech-led trip assurance products such as manifold refunds in case of unconfirmed tickets. OTAs offer a one stop shop for travelers, by offering choices beyond transportation. There's also a touch of comfort and intimacy with a known user interface, linked profile and wallet, loyalty, and reward benefits, enabling an end-to-end seamless experience.

**Table 3: OTA Gross Booking Value (GBV), Revenue & Adjusted Revenue (₹Billions), FY22 and FY23**

OTA	Period	GBV*	Revenue**	Adjusted Revenue***
MakeMyTrip Group	FY22	243	22.6	26.6
	FY23	535	47.4	52.1
ixigo Group	FY22	56	3.8	4.5
	FY23†	75	5.0	6.0
EaseMyTrip	FY22	37	2.4	4.0
	FY23	81	4.5	6.7
Yatra	FY22	32	2.0	3.3
	FY23	66	3.8	6.2
Cleartrip****	FY22	35	0.5	2.0
	FY23	84	2.0	4.7

\*GBV indicates the reported gross booking value of public OTAs.

\*\*Revenue is the reported revenue in company earnings releases, net of customer inducement and service costs.

\*\*\*Adjusted revenue is the sum of revenues from sales of travel products & services, and the cost of customer inducements (incentives, discounts, customer acquisition, loyalty).

\*\*\*\*Basis company filings with Registrar of Companies, Ministry of Corporate Affairs, Gol, VIDEDEC estimates

† ixigo Group's adjusted revenue for FY23 estimated basis publicly available revenue figure.

Source: VIDEDEC Consultants, Company earnings releases



## Intercity Bus Category

### Overview

India has the second largest road network in the world with a total length of 6.4 million km in 2022<sup>10</sup>, almost double that of 3.4 million km in 2001. National highways (NH) were being constructed at a robust pace of 36.5 km per day in FY21<sup>11</sup>, up from 10.4 km in FY12. Intercity bus category acts as arteries for the transport sector, ensuring connectivity to every nook and corner of the country.

With over 4,500 private operators and over 25 state road transport corporations (SRTCs), the intercity bus market (connecting major cities and towns with distance > 150 km) is an immensely fragmented travel category. Its evolution resembles that of the Indian hotel market, which has had a similar degree of fragmentation and maturity curve.

The fleet size operating in the intercity bus category that is discoverable online amounts to 65,000-70,000 buses, and formulates the basis of market sizing. The total commercial bus fleet size in India is around 400,000 buses. Of these 400k buses, more than 80% connect a major town/city with neighboring localities within 150 km or facilitate intra-city public transport, thus excluded from the sizing scope. Around 40% of the intercity bus fleet has the service configuration of AC segment (Volvo et al), while the remaining belongs to the non-AC segment. The average selling price (ASP) for AC category ranges from ₹700-1,100, while that of the non-AC category is between ₹450-700. In terms of operator type, the split in bus fleet between SRTCs and private operators is about equal, with the balance leaning slightly towards SRTCs.

The Top 5 SRTCs—Maharashtra, Andhra Pradesh, Uttar Pradesh, Telangana, and Karnataka—contribute to more than half of the total SRTC bus market, in terms of GBV and fleet size. As for the regional split, the south contributes more than half the total intercity bus GBV, followed by the west at about a quarter. With the rapid construction of highways and expressways across the country, the outlook for bus market growth in other regions is also optimistic.

The service quality of buses has improved significantly in recent years with more operators providing live tracking, on-board washrooms, charging points etc. The modernization of bus terminals is adding to the traveler experience. Modern inter-state bus terminals offer amenities such as lounges, food courts, Wi-Fi connectivity etc. and a capacity to handle higher passenger traffic.



<sup>10</sup>. Year End Review - 2022: Ministry of Road Transport and Highways

<sup>11</sup>. Road construction increased to 36.5 km/day in 2021-22

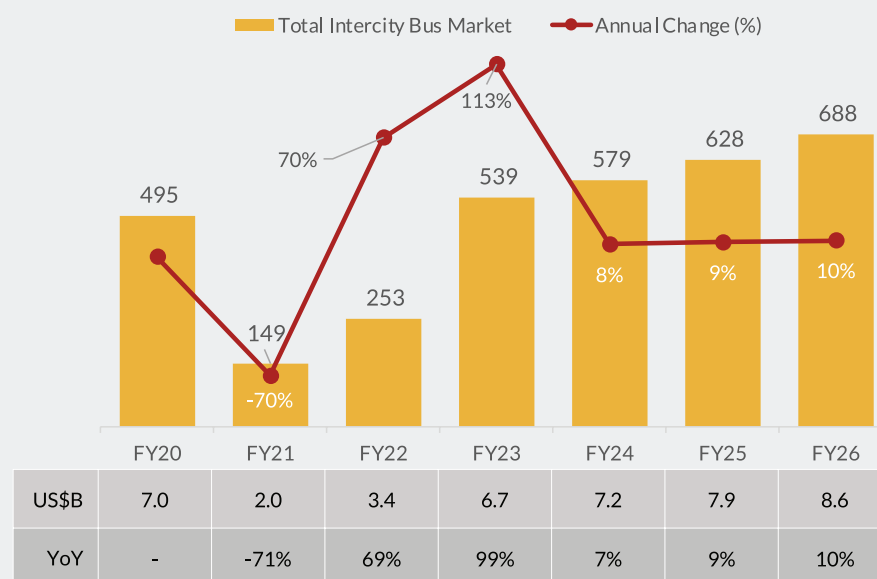
The new Vehicle Scrappage Policy, which provides 25% tax rebate<sup>12</sup> for vehicles purchased after scrapping vehicles, could allow for introduction of as many as 900,000 new vehicles on the road. The Ministry of Road Transport and Highways has revamped the ITS Scheme (2022) to provide additional financial support to equip state road transport corporations (SRTCs) with a tech-enabled system for fleet management, e-ticketing, and fare collection. The order books of SRTCs have started to show positive growth signals. Leading the pack is APSRTC with an order book of 2,736 buses, followed by Karnataka SRTC (650) and Telangana SRTC (550).

### Total Intercity Bus Market

The total intercity bus GBV was estimated to be ₹539 billion in FY23, twice of that in FY22 and 9% above ₹495 billion in FY20. The marginal decline in GBV in dollar terms from \$7.0 billion in FY20 to \$6.7 billion in FY23 is owed to the rupee depreciation in the last three years. The intercity bus category accounted for 14% of the Indian travel market GBV in FY23.

The growth in the intercity bus market has been slower compared to other categories, due to the supply side issues and the slower recovery in business travel demand. Employees working in IT and other service sectors have historically been prominent consumers of bus services in the south. However, pandemic-induced behavioral preferences such as a hybrid work environment have dampened the anticipated recovery in demand. While inventory and booking volumes are still below pre-pandemic levels, FY23 market size has surpassed FY20, led by higher average selling prices (a consequence of rise in fuel prices and pent-up demand).

**Figure 5: India Intercity Bus Market (₹B) and Annual Change (%), FY20-FY26**



Note: Intercity bus market sizing is based on services operated by both private bus operators and SRTCs, connecting major cities/towns that are typically 150+ kilometers apart, and are discoverable online. FY23-FY26 projected. Refer methodology for more details.

Source: VIDECON Consultants

<sup>12</sup> Voluntary Vehicle Fleet Modernization Program Handbook



The outlook for intercity bus market is promising, as it emerges as a viable alternative for both business and leisure travelers. Some factors working in favor of the intercity bus category are:

- i. Shortened booking window and spontaneity. Higher incidence of last-minute bookings.
- ii. Flexibility: Compared to air and rail, intercity buses offer far more choices in price, operators, and boarding points, especially in metro cities.
- iii. Rising awareness among operators towards hygiene.
- iv. Improved road infrastructure.

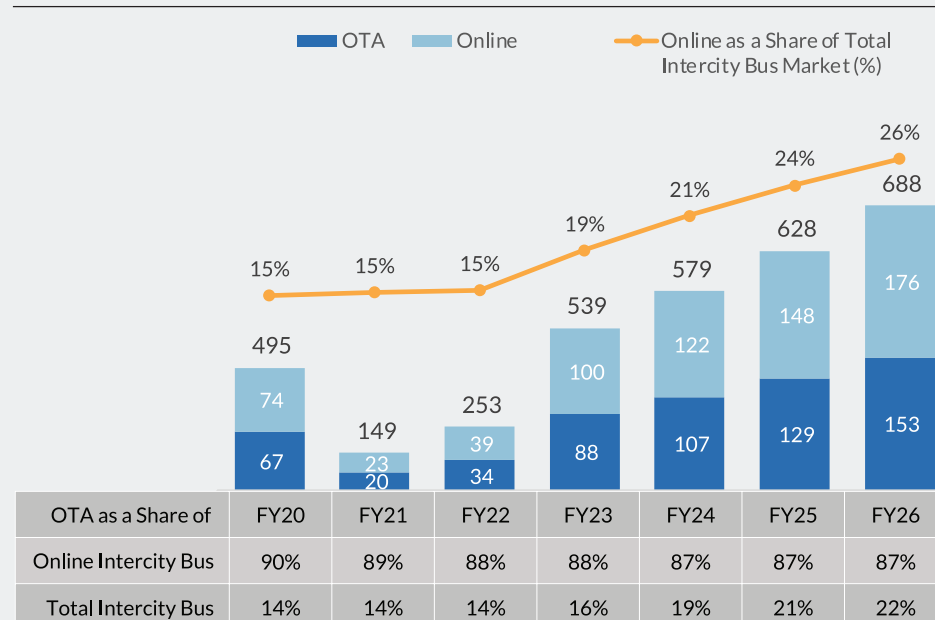
The intercity bus market is projected to grow at a CAGR of 8.5% during FY23 to FY26, and is estimated to reach ₹688 billion (\$8.6 billion) in FY26. The major growth drivers in this period will be: increase in bus supply, upgradation of bus fleet, improved road connectivity, modernized bus terminals and enhanced service quality and comfort in embarking on overnight bus journeys.

### Online Intercity Bus Market

The online intercity bus market GBV stood at ₹100 billion (\$1.2 billion) in FY23, 2.5x of the ₹39 billion (\$522 million) in FY22. India's prowess in digital payments and the meteoric rise in Internet access is fueling growth in the online intercity bus market as compared to the total intercity bus market. The total intercity bus market in FY23 is at 109% of the FY20 level, while the online bus market is at 134% of that in FY20.

Online penetration for intercity bus category stood at 19% in FY23, after remaining stagnant at 15% in the previous three fiscals, reaching 26% in FY26. The intercity bus market is the least penetrated travel category, showcasing the long runway in online distribution. OTAs have been

**Figure 6: India OTA and Online Intercity Bus Market (₹B), and as a Share of Total Intercity Bus Market (%), FY20-FY26**



Source: VIDECON Consultants

the numero uno since the early days of online evolution in the intercity bus category. With a lion's share of around 90% in online GBV, they would continue to drive the online adoption in the intercity bus category.

The OTAs and ecommerce marketplaces have increased their participation in the bus market due to its mass appeal. Suppliers, especially the consolidated segment of SRTC, are also driving the online distribution via investing in their own direct channels as well as partnering with third-party indirect channels. The share of supplier direct channel in online intercity bus market increased nominally from 10% in FY20 to 12% in FY23.

OTAs are at their best when there is fragmentation in any category. They excel in content aggregation, digitization and its productization besides providing superior shopping and booking experience to travelers. The OTA/ B2C channel will retain their commanding position and push online adoption.

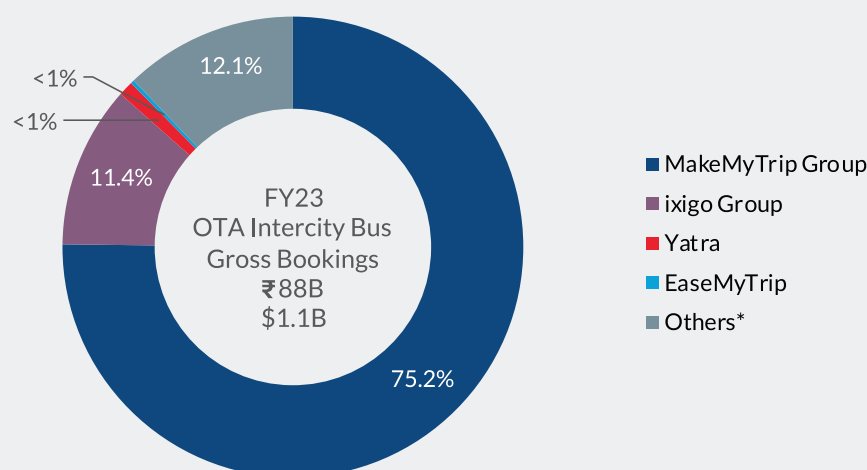
### OTA Intercity Bus Market

The intercity bus category is a fertile ground for OTAs and other online distribution players to increase their footprint in Tier-2-4 cities, the real India beyond metros. The OTA intercity bus market was valued at ₹88 billion (\$1.1 billion) in FY23, up 31% from its pre-pandemic level of ₹67 billion (\$0.9 billion).

The OTA journey has come a long way since 2006 when redBus took the first steps in supply aggregation and consumer education. MakeMyTrip Group, which owns redBus, has a commanding share of 75% in the OTA intercity bus market in FY23. ixigo Group, which gained foothold via the acquisition of AbhiBus in 2021, has impressively maneuvered its market share to double digits (11%). Ecommerce marketplaces such as Paytm and Amazon collectively cornered 12% of the market.

The OTA intercity bus market GBV is projected to increase at 21% CAGR in FY23-FY26 period, to reach ₹153 billion (\$1.9 billion), almost thrice the 8% CAGR of total intercity bus market. Ergo, the intercity bus market is set to be the fastest growing category for OTAs after rail.

**Figure 7: India OTA Intercity Bus Gross Bookings (₹B), 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.

\*Others include marketplaces such as Paytm and Amazon, online aggregators such intrcity, zingbus etc.

Source: VIDECON Consultants, Company earnings releases

## Conclusion

India needs a diverse mix of modes of transportation for different levels of connectivity. Ground transport is an important connecting link between the metropolitan India and the grassroots Bharat.

The transformation in the ground category in the last decade or so has been a result of emphasis on building massive hard infrastructure (tracks, trains, and highways) along with a robust soft infrastructure (digital and technology stack). While investment in technology is one aspect of this turnaround story, the other is the focus on human capital and customer satisfaction.

Ground transport is going to be the cornerstone of growth in Indian online travel market, spearheaded by the intercity bus category. While the aggregate online travel market is projected to grow at 18% CAGR in the period from FY23-FY26, the CAGR for online intercity bus market will be 21%.

In online travel distribution, cost of customer acquisition and customer lifetime value are critical metrics for OTAs. The greater the competition, the higher the cost of acquiring customers. In such a scenario, the ground category—rail and intercity bus—offers high booking volumes at lower acquisition costs.

The prowess of OTAs lies in offering a buffet of personalized products in the age of instant gratification and gamification. OTAs have proved their ingenuity by driving revenue in high volume - lower ticket size categories, cross cultivating their consumers, and succeeding in attaching fintech products.

As the ground category evolves, the Indian online travel opportunity will reach its true potential. Ground is the name of the game for OTAs, as the next billion Indian opportunity chalks itself out.







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