AIRLINE GTM

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A COMPREHENSIVE AIRLINE GO-TO-MARKET STRATEGY



Current Status of New Entrants

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The 3 new entrants into the Indian passenger aviation sector that have received NOCs from the DGCA are **Shankh Air, Fly Express, and Alhind Air.** Each airline has primarily chosen a model of initially targeting underserved regional routes instead of trying to compete with established competitors directly, while also choosing a fleet matching their route profile.

Airline	Base / Hub	Fleet Plan	Network Focus	Strategic Positioning	Current Status
SHANKH AIR	Noida International Airport (Jewar, UP)	Boeing 737-800NG (dual-class)	Major UP cities (Lucknow, Varanasi, Gorakhpur) + Pune, Bhogapuram, Navi Mumbai	**Full-service model** with competitive pricing; strong regional and national connectivity	Awaiting final Ministry approval.
FLY EXPRESS AIRLINES	Telangana	Not publicly confirmed	Tier-2 & Tier-3 cities under UDAN scheme	**Passenger-cargo integration**; logistics-driven model to stabilise unit economics	Awaiting AOC approval. Cargo ops active
alhindair	Cochin (Kerala)	ATR 72-600 turboprop	Regional Kerala routes; future Middle East expansion	**Regional commuter airline** with tourist driven traffic.	Facing AOC delays

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fly91

Based at Manohar International Airport in Goa, FLY91 directly connects **9 destinations across tier-two and tier-three sectors.**

GROWTH STRATEGY & FUTURE OUTLOOK

- *6 ATRs*
- *3500+ flights till date*
- *180,000 people served*

Plans to connect **over 50 cities with a fleet of 30 aircrafts over the next five years,** with persistent focus on tier 2 and 3 cities across India.

OPERATING MODEL

- Focuses on underserved tier-2 and 3 routes with limited alternatives.
- Operates a single aircraft type, the ATR 72-600, to keep costs low.
- Phased and slow fleet and network expansion.
- Flights based on seasonal, tourism, and demand patterns, for instance Pune-Sindhudurg sector was operated for Ganesh festival.

TIMELINE

MARCH 2024: Launch
Commences commercial operations with first flight to Bengaluru and 2 leased aircrafts.

APRIL 2024: MoU with Goa Tourism
FLY91 inks MoU with Goa Tourism for two years.

APRIL 2025: Fleet expansion
Becomes the first Indian regional airline to buy 2 ATRs simultaneously as it scales steadily to 150 weekly flights for the forthcoming summer season.

JANUARY 2026: Phased Expansion
Further leased 2 ATRs, increasing the operating fleet size to 6. Preparing to add 7 new stations within the next 90 days as part of a phased expansion.

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STARair

Based in Bengaluru, FLY91 directly **connects 31 tier 2 and 3 cities** focusing on “routes where there is willingness to pay for time”

FINANCIAL OUTLOOK

To fund expansion, Star Air has already raised **₹150 crore in equity.**

Achieved **net profitability in FY24,** without reliance on one-off or exceptional gains.

The airline has remained **EBITDA positive for four consecutive years** (FY21–FY24)

Star Air is targeting approximately **₹ 1,100 Cr in turnover by FY26**, representing a **70% growth over ₹650 crore in FY25.**

GROWTH STRATEGY & FUTURE OUTLOOK

- ***8 aircrafts + 4 choppers***
- ***EBITDA Positive***
- ***60% business passengers***

Plans to **induct 4 additional aircrafts in the next six months** and scale its network to **50 cities** over the coming years.

OPERATING MODEL

- Currently operates nearly **66 flights per day using 12 aircrafts.**
- Primarily a **point-to-point strategy** with certain hubs on routes where air travel offers significant savings against time
- Uses **VGF and subsidies** in the short term and gradually transitions mature routes toward commercial sustainability.

Govt Policies

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UDAN (UDE DESH KA AAM NAGRIK)

- UDAN aims to boost connectivity to Tier-2/3 cities using **Viability Gap Funding (VGF) to make low-yield routes viable**.
- However, fare caps and seat-reservation rules can compress margins, requiring airlines to **balance subsidised feeder routes with profitable trunk routes**.
- Entrants should **use VGF only initially** to build market share and then focus on non-subsidised profitability.
- The scheme also **favours turboprops and smaller aircraft** suited to short runways and limited airport infrastructure.

NOC AND AOC APPROVALS FROM THE DGCA

- The DGCA issues **No Objection Certificates (NOC) and Air Operator Certificates (AOC),** with AOC approval involving **multi-phase inspections** covering safety, crewing, and maintenance.
- The AOC also defines the **scope of operations an airline can run**, affecting initial market entry, and approval timelines set a hard lower bound on launch schedules- delays can lead to prolonged financial losses.
- Additionally, **compliance with ongoing DGCA audits** and requirements adds to operational complexity and costs.

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GOVERNMENT INCENTIVES AND STATE-LEVEL POLICIES

- Airlines may receive **waivers or reductions** on landing, parking, and terminal navigation charges. These concessions **reduce per-flight costs** and are particularly relevant for short-haul operations.
- Aviation Turbine Fuel is taxed at the state level, leading to significant variation in effective fuel costs across India. Several states have **reduced VAT on ATF, for flights under regional connectivity frameworks**.

CARGO AND MULTI MODAL LOGISTICS

- Government initiatives promote air cargo logistics corridors and **simpler approvals for freighters** increase cargo viability some new entrants such as Fly Express plan cargo-first or hybrid models to stabilise revenues.
- The government has promoted cargo terminals, bonded warehouses, and cold-chain facilities through public-private partnerships and concessional land policies at selected airports.

SLOT ALLOCATION AND METRO AIRPORT POLICIES

- Slot allocation at congested hubs like Delhi and Mumbai governed by **MoCA guidelines controls landing and takeoff** permissions.
- Recent **FDTL norm changes** exposed IndiGo's roster system limitations, and **limited peak slots at metro airports** remain a key barrier for new entrants, often forcing them into off-peak timings or secondary airports.

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Market Dynamics, Constraints and Trends

MARKET OPPORTUNITIES

Strategic Choice of Model: A new airline must decide between **full-service and low-cost**, and between **regional, domestic, or international operations**—based on capital, vision, and risk appetite

Competitive Landscape: Domestic trunk routes are overserved with **intense LCC price wars**, while **international routes** have **high entry barriers** and are dominated by well-capitalized global carriers.

Limits of the Full-Service Model: **India's price-sensitive market** has historically struggled to sustain full-service carriers, with **only one major FSC currently operating at scale (Air India).**

Regional Opportunity: **Tier 2 and Tier 3 routes** remain **underserved.** With the right aircraft and lean cost structure, a focused regional or low-cost strategy offers a more defensible entry path.

PROFIT & UNIT ECONOMICS

Long-term viability depends not on market share, but on profitable seat economics, ensuring each flight covers its operating cost and a bit more.

Airlines must focus on **maximising revenue per seat**, through right-sized aircraft for route demand, ancillary revenues (baggage, seat selection, partnerships) and high aircraft utilisation and cost control measures.

High seat occupancy does not guarantee profitability if fares are low or competitive which has been a trend among many Indian carriers.

Maintain **liquidity and cash for non-peak seasons** since demand fluctuates seasonally, but **fixed costs** remain constant. Airlines with inflexible cost bases often find themselves in a tough spot.

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- **Over-optimised pilot and crew rosters with thin time margins** can expose airlines to **operational disruptions.**
- Recent changes to FDTL norms exposed IndiGo's roster system, which couldn't sync with the revised norms.

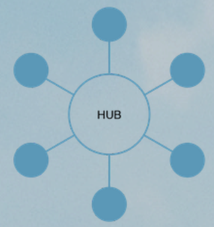
SCALE WITH OPERATIONAL RESILIENCE

- **Avoid single-base or overly centralised operations**, as they can **cascade disruptions** when issues occur as in IndiGo's case. Distributed bases help contain disruptions at the source without them
- **Systems and manpower** must be **scaled before fleet** size, and not the other way around.

ROUTE OPTIMISATION MODELS

Hub-and-Spoke

- **Large aircrafts** like A321 and Boeing737 Max operate routes between **major hubs**, consolidating passengers for onward connections.
- Used by both IndiGo and Air India on high-density routes.



Point-to-Point



- **Direct flights** between origin and destination, bypassing hubs.
- Suitable for routes with **proven demand and strong time sensitivity**, including many tier-2 and 3 city pairs, for example Indore-Nagpur.

Regional Feeder

- Uses turboprops (ATR 72, Q400) to **connect smaller towns** and e**nhance regional connectivity** or to **feed traffic into larger networks**.
- Key operators include Star Air, Alliance Air, FLY91 etc.
- Strongly supported by the government's UDAN scheme.



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