

IndiGo aims to address 'long standing problem'

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India's largest airline IndiGo's chief Ronojoy Dutta said, they are working with other industry players and the civil aviation ministry to address the "long standing problem" of high indirect tax rate, which currently stands at 21pc.

In his Christmas and New Year greetings to the employees, the IndiGo CEO also flagged that profitability is under considerable pressure owing to low airfares regime at a time when the carrier is focusing on "repairing" its balance sheet.

His views also come at a time when the civil aviation sector is slowly on the recovery path after being battered by the coronavirus pandemic.

While various restrictions, including on travel, were being eased till late last month, the emergence of the Omicron variant has triggered fresh health concerns and various countries have started to re-impose curbs to contain the infections. The domestic aviation industry has been pitching for lower direct and indirect taxes at various levels.

"We pay over 21 per cent of our revenues as indirect taxes to the government. We think it is unconscionable that a critical infrastructure industry such as aviation, with its large multiplier effects in employment, should be taxed at such a high rate.

"We are working with other players in the industry and the civil aviation ministry to address this long standing problem," Dutta said in the message.

The IndiGo chief also pointed out that even as the domestic aviation market is growing rapidly, post the second wave, which almost grounded air travel demand, airline ticket prices in India are among the "lowest" in the world.

"As income levels in the country rise, we can expect some relief in the form of higher ticket prices, but in the meantime, there is considerable pressure on profitability," he said.

During the pandemic, the airline incurred large losses and has been forced to take on a large amount of debt to fund its cash burn, Dutta said and emphasised that "repairing our balance sheet is an urgent task".

Outlining the "game plan" for the future, Dutta said maintaining the cost leadership position is, of course, of "critical importance" amid heightened domestic competition along with international expansion, as "we see immense scope for profitable growth in geographies all around us".

"We see opportunities for improving our revenues by further segmenting our customer base and offering additional services tailored to each segment. Developing our cargo business is one of our major initiatives," he said.