

To: Board of Air India Limited

From: Yash Moitra

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Subject: Macroanalysis & Micro-risk Outlook

My name is Yash Moitra, and I'm a Tata Scholar hoping to advise AIC and other Tata Group companies. I intend to bring to your notice several strategic frameworks for specific Group companies in light of changing economic conditions. I have spent the weeks since the inauguration working on this.

I'd like to take on an advisory position and drive relevant transformations starting as soon as possible; in my academic analysis, we have until August to gain key competitive advantages.

Foreign PPP disposable income will fall.

This is particularly challenging for the hub & spoke airline industry; this is worse for OneWorld carriers than for Air India or most of Star Alliance given Heathrow's crisis. Airport slots & seat constraints will become more plentiful in Southeast Asia, esp. CMX and BKK (Suvarnabhumi). Our cost disadvantage against IndiGo is likely to pose a challenge for our Southern Europe routes. East Africa routes will be unaffected except for by airspace restrictions. Our 773s to the West Coast may not be able to overfly Siberia in the next 2 years due to the political struggle in Russia.

The NMIA move will be a problem.

Int'l to domestic transfers will be severely limited; this challenges our target for transit passengers. The gov't's proposal of moving regional domestics out of CSIA is implausible for non-point-to-point; 6E has a competitive advantage here.

Comparable cases include:

1. Bangkok & Thai Airways. Suvarnabhumi (newer) has all int'l flights whereas Don Mueang has domestic. Decoupling isn't plausible for us; our 777-3s and -2s all fly North Am to Bombay and have significant connecting seats. The move would also increase our weighted average CASM on domestic flights.
2. New York & United/Delta. United owns ~70% gates at EWR Terminal C; Delta ~40% at its JFK terminal. We fly ~14x weekly from both airports into the BOM city pair. Shifting a critical mass of passengers to NMIA entirely to try and get a gate/slot monopoly might be possible over time; first flights to go can be short-haul int'l.
3. London & British. BA was sluggish in expanding anything except short-haul to LCY from LHR. This is now costing them as LHR is limiting seats. Emirates et al. are now cutting flights; BA's hesitance to 'move out' has been one leading factor.
4. Dubai & World Central. World Central is *still* almost non-operational; this has been bad for the carriers that did make the switch, which are mostly Eastern European hoppers. They're now expanding and hope to do 260mm passengers in 2035; FlyDubai is likely to be one of the first to switch.

COMAC delivery timelines will get much shorter comparative to Boeing/Airbus

COMAC might be a decent alternative to leased 32Xs as we move into more Southeast Asia city pairs. Leasing out owned COMACs to other airlines is also a possibility; either that or we run codeshares on behalf of *A. Don't think 220 will be delivering anytime soon as Abus is shifting production capacity to XLRs for now.

Business & PremEc cash load factors on short-haul domestics to tourist cities out of DEL/BOM will likely see a dip

Intranational tourism is likely going to occupy a lower wallet share of prospective US/EU tourists. This means our Jaipur, Jaisalmer et al. routes suffer. This can be mitigated somewhat with CPUs (complimentary premier upgrades) on a waitlist system; we can increase weightages for *A status.

China slots may reopen by end of year

Peking & Shanghai likely to be dominated by Cathay (BOM) & China Southern (DEL) bec they'll get first picks for slots. Guangzhou & Shenzhen can be paired airports like JFK & EWR with 788s. 321s could make it too but 788s more efficient because of premium heavy configs; Chengdu et al. are suitable for 321s.

Maharaja Club's conversion problems will need consideration

We have a significant arbitrage problem with our Maharaja Club program. There are several things that contribute to this:

1. Indian credit card conversion rates are not standardized; the same Axis points, for example, can have up to a 10x difference in conversion ratios. ICICI redemptions are notoriously complicated.
2. This is compounded by the fact that many Indian cards transfer 1:1 to UA and similar carriers. Therefore if AI flights are bookable via United, then an Axis customer can have potentially 3 very different redemption values.
3. It is almost impossible to transfer non-Indian credit card points (JPM Chase, BofA, CapOne) to Maharaja. This is redirecting these bookings away from our website and towards OTAs like Chase Travel and other award programs like Aeroplan.
4. Then there is the pricing issue. Our award redemptions are priced flat; DEL-EWR is 60k points all the time regardless of cash price (we overvalue economy. Business is somehow thrice as expensive as it is on the same flight via UA's portal.

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I understand that there are many factors that I have not taken into account; I am keen to hear your feedback and look forward to working with you.

Warm Regards,

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