

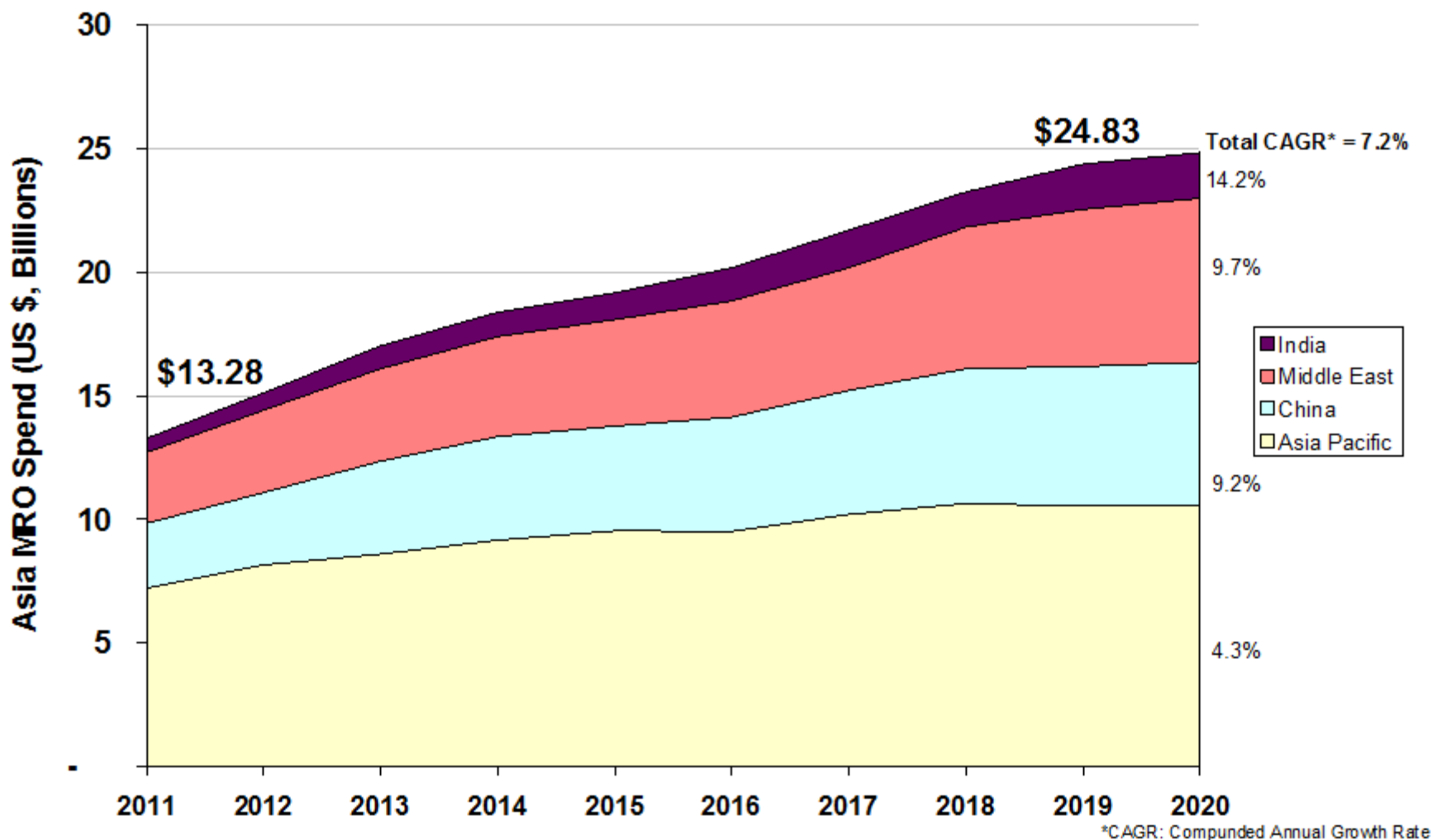


# Civil Aviation Committee

Indian MRO Sector

# Market Size

## Asia

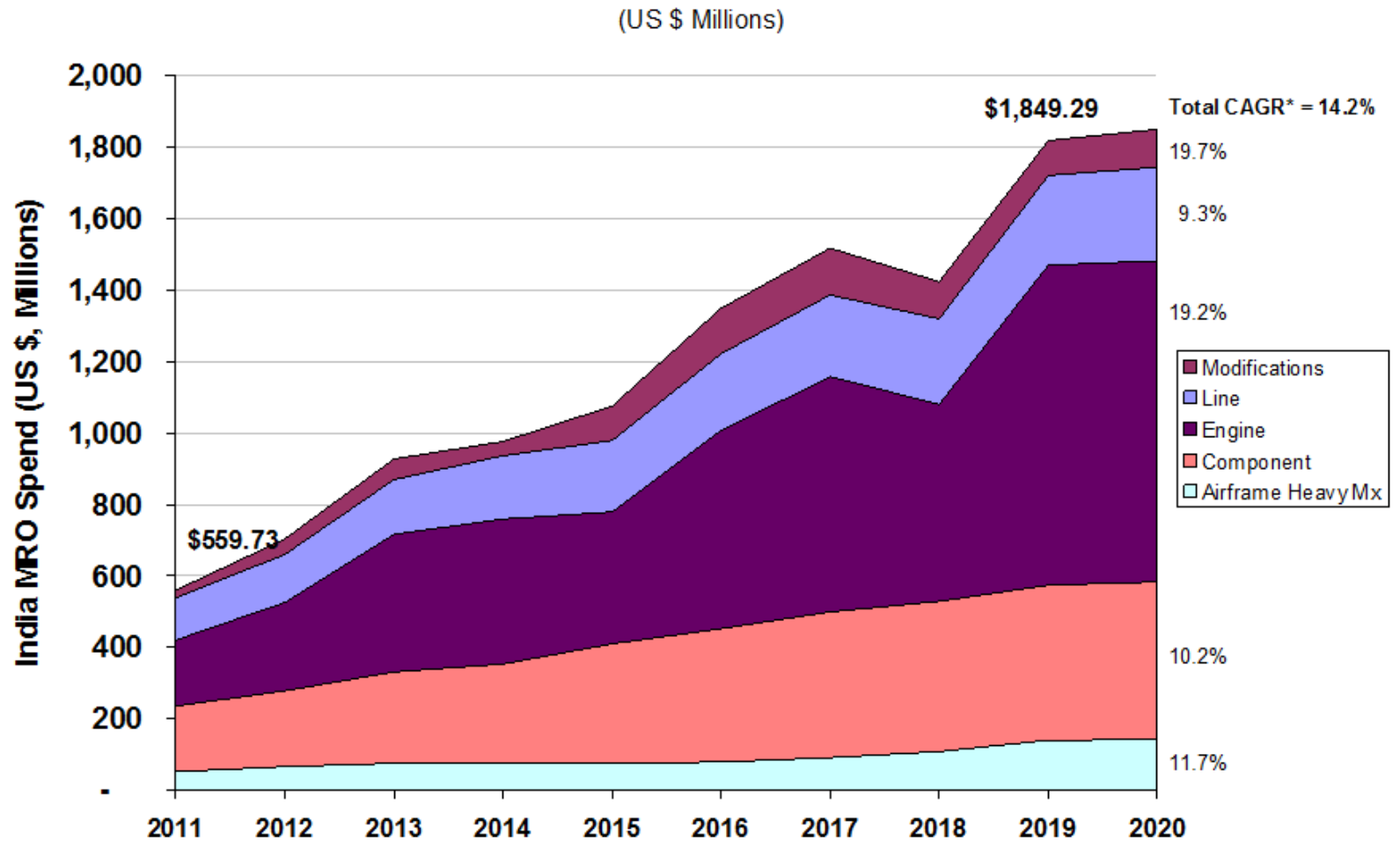


Asia MRO Market size increasing 7.2% annually, but growth in India is double

# Market Size

## India

India is one of the fastest growing aviation and MRO markets in the world



\*CAGR: Compounded Annual Growth Rate

India MRO Market size growth expected to be 14.2% per annum, double that of Asia

Data Source: AeroStrategy

# Indian MRO Sector

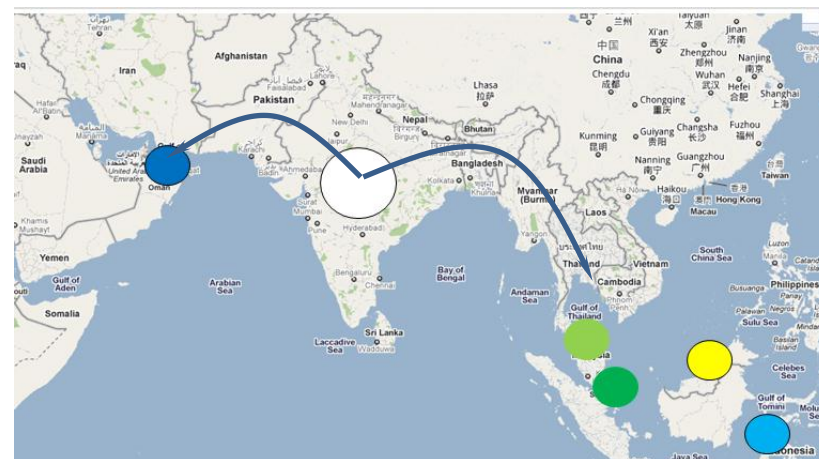
## Current state

In 2012 of the \$700 Million Indian MRO demand, less than 5% was done locally (\$35 million). Even Air India has sent its aircraft to China, Indigo has contracts with Sri Lanka, Jet Airways with Singapore and ADAT (UAE).

Given the current situation India will continue to enrich neighboring countries like China, Sri Lanka, Singapore and UAE with BILLIONS of DOLLARS in hard earned forex into their service sector at the loss of local jobs.

This does not take into account additional loss of forex and opportunity for Indian industry for export earnings, which are currently at zero. China exported \$2 Billion worth of services in MRO in 2012

Due to unfavorable Indian tax environment, 90% of Indian MRO is offshored to regional destinations



# Indian MRO Sector

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## Unfavorable tax environment

Tax percent	Customs Duty	Service Tax	VAT	GST
Country				
India	20 – 40	12.5	12.5	0
China	0	0	0	
Singapore	0	0	0	7 for unregistered companies
UAE	0	0	0	0

# Indian MRO Sector

## Stunted growth

Indian tax regime is discriminatory AGAINST Indian MRO providers !!

### TAXES: DETERRENT TO GROWTH OF MRO CIVIL AIRCRAFT

Particulars	Indian MRO	Foreign MRO
Labour	30	30
Spares	70	70
Sub Total	100	100
VAT @12.5% (On landed cost - Import cost of spares @20% which includes freight and handling plus a holding cost of 10% to the MRO)	11.60	NIL
Service tax @ 12% (On Labour)	3.60	NIL
Sub-Total with impact of Statutory Taxes	115.20	NIL
Airport Royalties @13% on GTO	15	NIL
<b>Grand Total</b>	<b>130.20</b>	<b>100.00</b>

# Requested support

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Level playing field for Indian Industry –  
removal of VAT and Service Tax

We are working with MoCA on Airport Royalties

# Impact

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Potential for India to become regional MRO hub

\$2-3 B industry

40,000+ direct jobs

Domestic repair capabilities in case of geo-political changes

Significant increase in tax revenues

Indicative Tax revenues (at \$2B industry revenue)

Service Tax, VAT, Customs – 0

Operating Profit @ 10% of revenue = \$200M

Corp Income Tax @ 30% = \$60M

Labor is 50% of revenue = \$1B

Salary is 80% of labor = \$800M

Tax from salaries @10% = \$80M

More than 30X growth in tax revenue to government