

# Market concentration rose across industries in FY24

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Market concentration continued to increase in India's key industries as top players grabbed a larger share of the business in 2023-24 (FY24) either through organic growth or acquisition.

As a result, the Herfindahl-Hirschman Index (HHI), a common measure of market concentration in an industry, reached a new high in FY24 in industries such as telecom, airlines, cement, steel, and tyres.

In a *Business Standard* analysis, paints was the only industry that reported a decline in the HHI or a rise in competitive intensity due to market share gains by new players such as JSW Paints.

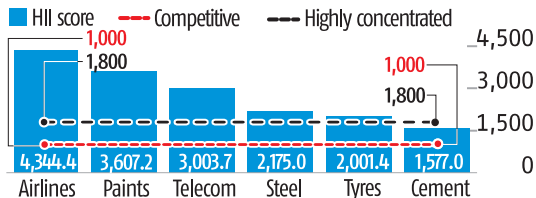
Market concentration in paints is expected to decline further with the entry of the AV Birla group.

The numbers indicate a steady rise in the revenue share of the top two firms across industries in the last 10 years, leading to a rise in HHI scores. For example, in airlines the revenue share of the top two players increased from 53.1 per cent in FY14 to 92.6 per cent in FY23. **Turn to Page 3 ▶**



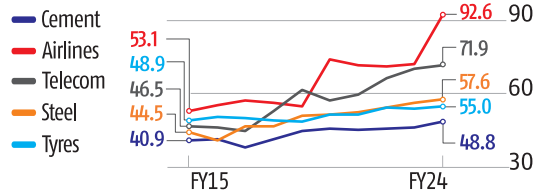
## MOST IN LOW-COMPETITIVE ZONE

Herfindahl-Hirschman Index (HHI) in key sectors in FY24



## TOP TWO PLAYERS RAISE MARKET SHARES

Revenue share in %



Note: Based on annual net sales of listed and unlisted companies whose finances are available; Airlines industry calculation based on FY23 numbers  
Sources: Capitaline, rating agencies, Business Standard Calculations, US Department of Justice  
Compiled by BS Research Bureau

# Airlines least competitive with HHI score of 4,400

In telecom, the rise was from 46.5 per cent in FY15 to 71.9 per cent in FY24. In steel it rose from 44.5 per cent to 57.6 per cent in the period.

The trend has been similar in cement and tyres but to a lesser extent. This, in turn, has led to a rise in the HHI scores in these industries.

Most industries in India are either highly concentrated or moderately so, according to the antitrust division of the US Department of Justice's common measure of market concentration. According to the merger guidelines (2023) of the US Department of Justice and Federal Trade Commission, an industry with an HHI score of 1,800 is believed to be highly concentrated, while one with an HHI between 1,000 and 1,800 is moderately concentrated. An HHI less than 1,000 means the industry is competitive.

On this scale, the aviation sector in India is the least competitive with an HHI score of 4,400, based on the various airlines' revenue share in FY23.

The two biggest airlines in the industry (InterGlobe Aviation and Air India-Vistara combine) controlled 92.6 per cent of the combined net sales of all airlines in FY23. Air India and Vistara are owned by Tata Sons and they are in the process of merger. Earlier, Air India merged with Air Asia India. InterGlobe Aviation, which operates IndiGo, reported net sales of

₹54,446.5 crore in FY23 while Air India and Tata SIA Airlines, which operate Vistara, reported combined net sales of ₹53,045.6 crore in FY24.

SpiceJet was at distant third at ₹8,572 crore followed by Akasa Air at ₹698.7 crore. It is followed by the paint industry with a score of 3,607 and telecom with 3,004 in FY24. Iron and steel and tyres had an HHI score of 2,175 and 2,001, respectively, in FY24. The cement industry is moderately concentrated with 1,577 in FY24.

The HHI is calculated by squaring the revenue market of every player in the industry and then adding them. An HHI score can range from close to zero, when there are too many players each with negligible market share, to a high of 10,000 when a single company controls the industry.

In 2013, economist Viral Acharya had flagged rising market concentration in India in a Brooking paper.

"Markups fell gradually from early 1990's until 2013, but started rising steadily and significantly thereafter, scaling in 2021 the high level of 1.4 in 1990's, and even when capacity utilisation in the Indian industry was low during the pandemic due to collapse of aggregate demand," wrote Acharya in the paper titled *India at 75: Replete with Contradictions, Brimming with Opportunities, Saddled with Challenges*.