



**DOMESTIC** AIR PASSENGER  
TRAFFIC TO REACH  
164-170 MILLION BY FY25-END

# FLIGHT PATH

THE INDIAN AVIATION SECTOR IS PASSING THROUGH INTERESTING TIMES. WITH **600 NEW AIRCRAFT EXPECTED** TO BE ADDED BY 2030, KEY AIRPORTS OF NAVI MUMBAI AND NOIDA SOON TO START OPERATIONS, AND MORE TIER II AND III CITIES TO BE ON THE COUNTRY'S AVIATION MAP, THERE ARE ENOUGH TAILWINDS FOR GROWTH. YET, THE TWIN HEADWINDS OF **SUPPLY CHAIN CHALLENGES AND HIGH FUEL PRICES** CONTINUE TO IMPACT AIRLINES' PROFITABILITY

BY **RICHA SHARMA** • ILLUSTRATION BY **RAHUL SHARMA**



## INDUSTRY LOSSES

ESTIMATED TO  
REMAIN AT ₹2,000-  
3,000 CRORE IN  
FY25 AND FY26



**600 AIRCRAFT**  
TO BE ADDED  
BY 2030

**400 AIRPORTS**  
BY 2047 FROM  
157 AIRPORTS  
CURRENTLY





**CHALLENGES** SUCH  
AS SUPPLY CHAIN  
ISSUES, ENGINE  
FAILURES, AND  
CREW SHORTAGES  
TO CONTINUE

**A** **MASSIVE GROWTH STORY** is unfolding in the Indian aviation sector, riding on peoples' aspirations to fly. The order book of Indian carriers is now more than 2X the size of the current fleet, the highest ratio of any major market.

With an order book of over 1,750 new aircraft in the narrow and wide-body segments, Indian aviation players have been on an aircraft shopping spree from Airbus and Boeing. The current fleet stands around 800 and another 600 are expected to be added by 2030.

Two major players—IndiGo and Air India—on average, are adding one aircraft every week. The trend is expected to continue in 2025 and increase from 2026 onwards. Indian carriers are expanding their presence in the international sectors, too, with wide-body aircraft to cater to long-haul and ultra-long-haul routes.

Infrastructure is also expanding with newer airports being made, improved in-flight facilities, and smaller cities making it to the country's aviation map. The number of airports has almost doubled to 157 in the past decade and the aim is to increase it 2.5X by 2047.

Besides, two major airports—Navi Mumbai and Noida International—once operational, are expected to ease the traffic burden in Mumbai and Delhi, while also providing better connectivity options.

What's driving the sector?

Rising travel demand and increased capacity deployment have helped the domestic air passenger traffic in India grow at 6-10%, according to various agencies.

"The growth is attributed to various factors such as rising incomes, growing fleet, and expanding network," Pushan Sharma, Director-Research of consult-



## ORDER BOOK OF INDIAN AIRLINES



INDIAN CARRIERS' ORDER BOOK IS MORE THAN 2X THE SIZE OF THE CURRENT FLEET



INDIAN AIRLINES ARE EXPECTED TO HAVE A REGISTERED FLEET OF OVER 800 AIRCRAFT BY END OF FY25, BUT 120 ARE EXPECTED TO BE GROUNDED DUE TO SUPPLY CHAIN AND OTHER ISSUES

## CURRENT FLEET AND ORDER BOOK OF INDIAN AIRLINES

Airline	Current fleet	Aircraft on order	Estimated grounded aircraft by March 2025	Projections for March 2025
IndiGo	395	950	70+	410
Air India	300-304	570	30	315-319
Akasa Air	25	201	0	25-26
SpiceJet	56	129	20+	56
Total	776-780	1,765	120+	806-811

SOURCE CENTRE FOR AVIATION

ing firm CRISIL Market Intelligence & Analytics, tells *Business Today*.

100 | "With the latest technology, fuel efficiency, and comfort features, the new aircraft will modernise the Indian aviation industry, reducing operating costs and emissions while enhancing the passenger experience," says Sharma.

Massive fleet orders from Air India, IndiGo, and Akasa Air will drive significant capacity expansion and modernisation in the Indian skies. SpiceJet's recapitalisation in 2024 has paved the way for a strong carrier to emerge, provided it continues to receive investments.

IndiGo, with the largest market share of over 61%, has placed a mega order of 950 aircraft, including A350-900 wide-body ones to support its evolving business model, featuring a new business class and frequent-flyer programme. The wide-body aircraft will enable IndiGo to expand its international presence.

Air India, too, has placed a top-up order of 100 Airbus planes, along with the existing 470. Akasa and SpiceJet are also slowly increasing their fleet.

However, enthusiasm is more tempered in the industry. Jitender Bhargava, former executive director of Air India, says industry insiders have questioned the huge order book. "Delivery is over a staggered period like the next 8-10 years. A lot of existing aircraft will have to be phased out once they complete 15 years. Certain leased aircraft inducted to meet market growth will be replaced with new ones," Bhargava tells *BT*.

## COMPETITIVE AIRFARE

As airlines strive to maintain passenger load factors, airfares are expected to remain competitive in 2025. In a price-sensitive market like India, airfares have not seen massive growth, except the post-Covid surge when air travel resumed, compared to air passenger growth of over 60% since 2015.

The Ministry of Civil Aviation recently said airfares have moderated in 2024 compared to 2023 as there was a notable decline in ticket prices in various routes during festival seasons on account of growth in seat capacity and moderated demand, compared to post-Covid levels.

Bhargava says, unfortunately, no sector gets scrutinised on the basis of cost as much as the airline industry. "Air India and IndiGo both have a huge order of aircraft and if you [companies] kill the growth by charging exorbitant fares, then how will you fill up the aircraft post-induction. It is in the industry's interests to keep the market growth sustainable and affordable," he says.

However, he argues that the airline industry is capital intensive with interests being paid on capital, aircraft lease rentals, and pilot and aircraft maintenance cost is going up along with high fuel prices and taxes.

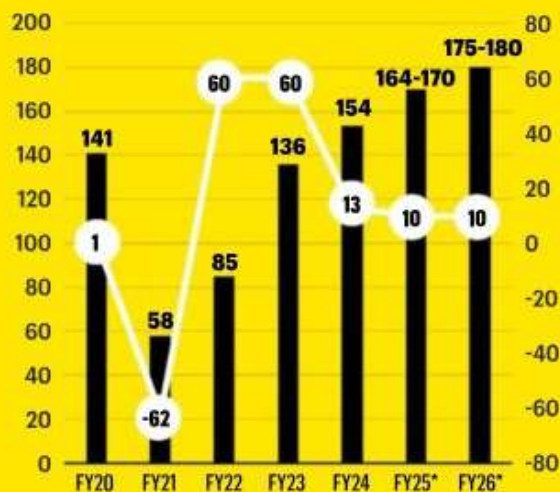
"Some state governments have a sales tax of 20-25% on ATF, or aviation turbine fuel. Look at the airline costing as well—how many airlines have shut down in 15-20 years. [You know] there has to be something fundamentally wrong when two professionally managed airlines,





## | NEW YEAR SPECIAL AVIATION SECTOR |

## DOMESTIC PASSENGER TRAFFIC



● PASSENGER TRAFFIC IN MILLION (LHS)

● YoY CHANGE IN % (RHS)

\*PROJECTIONS (OF 7-10% GROWTH) SOURCE ICRA



**PUSHAN SHARMA**  
DIRECTOR-RESEARCH,  
CRISIL MARKET INTELLIGENCE  
& ANALYTICS

**THE GROWTH [IN AIR PASSENGER TRAFFIC] IS ATTRIBUTED TO VARIOUS FACTORS—RISING INCOMES, GROWING FLEET, AND EXPANDING NETWORK**



**KAPIL KAUL**  
SOUTH ASIA CEO,  
CAPA INDIA

**IN FY24, THERE WAS A 50% LOSS REDUCTION AT AIR INDIA, AND AIR INDIA EXPRESS AND VISTARA REPORTED NEAR BREAK-EVEN**

IndiGo or Vistara (before it merged with Air India), can't make money on a sustainable basis," Bhargava adds.

Aviation consultancy firm CAPA India believes profitability challenges are expected to continue in FY25, and combined capacity expansion by IndiGo and Air India could outpace GDP growth.

"In FY24, there was a 50% loss reduction at Air India, and Air India Express and Vistara reported near break-even," says Kapil Kaul, South Asia CEO, CAPA India.

IndiGo posted a net loss of ₹986.7 crore in Q2FY25 due to rising fuel costs, increased airport charges, higher aircraft leases, grounded planes, seasonal downturn, and lower yields in the international market.

### HEADWINDS AHEAD

Even with an increase in the number of flyers, the domestic aviation industry faces major challenges. Elevated ATF prices, depreciation of the INR vis-à-vis the USD, and supply chain issues may continue in 2025.

Fuel costs account for 30-40% of an airline's expenses, while 35-50% of an airline's operating expenses—including aircraft lease payments, fuel expenses, and a significant portion of aircraft and engine maintenance expenses—are denominated in dollar terms.

Disruptions in the supply chain have forced certain airlines to ground some of their aircraft. Besides, developments elsewhere, too, have had a huge impact. For instance, Boeing has faced a delay in delivery due to scru-

tiny in the US over safety lapses.

Rating agency ICRA said engine failure issues will also continue to plague performance. "It is estimated that almost 144 aircraft i.e. 16-18% of the total industry fleet as of September 30, 2024, have been grounded. But the share has been reducing. In addition, global supply chain issues have affected the availability of aircraft, engine and parts," it said.

Pilot shortage, especially of Commanders, is likely to continue with some Middle Eastern carriers recruiting aggressively, and as IndiGo starts recruiting for wide-body operations, highlights CAPA.

ICRA further notes the available seat kilometre (ASM) in FY25 has also been impacted due to pilot- and cabin crew-related challenges in select airlines.

Increased operating expenses towards the cost of grounding, increased lease rentals, wet leases, rising lease rates and lower fuel efficiency (due to replacement by older aircraft taken on spot lease) adversely impacted airlines' cost structure in 2024.

Despite these strong headwinds, rating agencies have given a stable outlook for the industry till the end of FY25. The Indian aviation sector is expected to strap on the seat belt and soar, driven by increasing passenger traffic, evolving market dynamics, and expanding domestic and international operations. **BT**