



INDIAN AVIATION INDUSTRY

Domestic passenger traffic grew by ~11% YoY in March 2025, ending FY2025 with an overall YoY growth of ~8% to 165.7 million

April 2025

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BUSINESS OUTLOOK: STABLE



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ICRA expects the Indian aviation industry to report a net loss of ~Rs. 20-30 billion in FY2025 and FY2026 each, significantly lower than the losses witnessed in the past

For March 2025, domestic air passenger traffic was estimated at 148.8 lakh, 5.9% higher than 140.4 lakh in February 2025. Further, it grew by ~11.3% on a YoY basis. The airlines' capacity deployment in March 2025 was higher than March 2024 by ~8.5% and 10.7% over February 2025.

For FY2025 (April 2024–March 2025), the domestic air passenger traffic was ~1,657.1 lakh, a YoY growth of ~7.8% and ~17.1% higher than the pre-Covid level of ~1,415.6 lakh in FY2020. This was in line with ICRA's estimates of 7-10% YoY growth for FY2025. Further, for 11M FY2025, the international passenger traffic for Indian carriers stood at ~309.5 lakh, a YoY growth of ~14.6%, higher than the pre-Covid level of ~218.1 lakh by 41.9%.

- Stable outlook on Indian aviation industry** – The outlook for the Indian aviation industry remains **Stable**, driven by expectations of moderate growth in domestic air passenger traffic and a relatively stable cost environment in FY2026. The industry witnessed steady pricing power during 9M FY2025, as reflected in the stable yields over 9M FY2024; however, the revenue per available seat kilometre–cost per available seat kilometre (RASK–CASK) spread of the airlines in 9M FY2025 was lower than 9M FY2024, largely due to higher cost incurred towards aircraft on ground. The domestic air passenger traffic growth tapered to ~7.8% in FY2025 on a YoY basis, in line with ICRA's expectations, given the high base of FY2024 and lower passenger traffic in H1 FY2025, impacted by severe heat waves and other weather-related disruptions. The domestic air passenger traffic is estimated to grow at 7-10% in FY2026. However, the yields are likely to be under pressure, as airlines strive to maintain adequate passenger load factor (PLF). International passenger traffic for Indian carriers is expected to grow by 15-20% each in FY2025 and FY2026.
- ATF prices in April 2025 were lower by ~13% on a YoY basis but remained significantly elevated over pre-Covid levels** – The movement in the yields will remain monitorable, amid elevated aviation turbine fuel (ATF) prices and depreciation of the INR vis-à-vis the USD over pre-Covid levels, both of which have a major bearing on the airlines' cost structure. Average ATF prices stood at Rs. 95,181/KL in FY2025, lower by 8.0% on a YoY basis, though higher by 47.1% than the pre-Covid level, i.e., Rs. 64,715/ KL. Further, the ATF prices in April 2025 were lower by 12.9% on a YoY basis and 6.1% sequentially, but higher by 37% compared to pre-Covid level i.e., April 2019. Fuel cost accounts for ~30-40% of the airlines' expenses, while ~35-50% of the operating expenses, including aircraft lease payments, fuel expenses and a significant portion of aircraft and engine maintenance expenses, are denominated in dollar terms. Further, some airlines have foreign currency debt. While domestic airlines have a partial natural hedge to the extent of their earnings from international operations, their net payables are mostly in foreign currency. The airlines' efforts to effect fare hikes, proportionate to their input cost increase, will be the key to expand their profit margins.

- Industry's net losses to remain range-bound** – The pace of recovery in industry earnings is likely to be gradual, owing to the high fixed-cost nature of the business. ICRA estimates the Indian aviation industry¹ to report a net loss of Rs. 20-30 billion in FY2025 and FY2026 compared to a net profit of ~Rs. 16 billion in FY2024 due to anticipated pressure on yields as airlines strive to maintain adequate PLF amid continued elevated ATF prices. Further, the higher borrowing costs, due to increased lease liabilities with the scheduled aircraft deliveries for select airlines, are likely to increase the interest burden. Nonetheless, the expected losses are significantly lower than losses of Rs. 235 billion and Rs. 174 billion reported in FY2022 and FY2023, respectively. The industry debt metrics in FY2025 are estimated to remain range-bound, with interest coverage of 1.5-2.0 times.
- Supply-chain challenges and engine failure issues impact industry capacity** – The industry has been facing supply-chain challenges and issues of engine failures for the Pratt and Whitney (P&W) engines supplied to various airlines. In FY2024, Go Airlines (India) Limited grounded half of its fleet due to faulty P&W engines, thus stalling its operations. InterGlobe Aviation Limited (IndiGo) also had 60-70 aircraft grounded as on January 30, 2025, due to the P&W engine issue, including the powder metal (used to manufacture certain engine parts) contamination factor with its P&W fleet. However, the same is expected to reduce in FY2026. Overall, the Indian aviation industry had ~133 aircraft for select airlines grounded in March 2025, which was ~16% of the total industry fleet, thus impacting the overall industry capacity (as measured by available seat kilometre, or ASKMs). However, it remains significantly lower than the 154 aircraft on ground as on September 30, 2023. Considering the bulk recall of the engines globally by P&W and other existing issues with the original equipment manufacturers' (OEM) engines, the testing by P&W is expectedly taking longer. This is also resulting in increased operating expenses towards the cost of grounding, increased lease rentals due to additional aircraft being taken on lease (primarily wet lease) to offset the grounded capacity, rising lease rates and lower fuel efficiency (due to replacement by older aircraft taken on spot lease). These factors are adversely impacting an airlines' cost structure. However, healthy yields, high PLF and partial compensation available from engine OEMs are helping absorb the impact to an extent. In FY2025, the industry also faced challenges related to the availability of pilot and cabin crew, resulting in several flight cancellations and delays. Such issues impact the capacity availability and add to customer grievances.
- Select airlines face financial distress, stretched liquidity issues** – While some airlines have adequate liquidity and/or financial support from a strong parent supporting their credit profiles, the credit metrics and liquidity profile of others will remain under stress over the near term, despite some improvement over the last few years. With half of Go Airlines (India) Limited's fleet grounded due to faulty P&W engines, the airlines faced payment defaults with vendors, aircraft lessors and financial creditors. Consequently, GoFirst filed for insolvency with the National Company Law Tribunal (NCLT). After receiving multiple extensions to complete the resolution process, on May 1, 2024, the Directorate General of Civil Aviation (DGCA), on the directive of the Delhi High Court Order, deregistered all 54 aircraft of GoFirst. In January 2025, the NCLT ordered the liquidation of GoFirst.

¹ Industry refers to Air Asia (India) Limited, Air India Limited, InterGlobe Aviation Limited, SpiceJet Limited, Tata SIA Airlines Limited

PASSENGER TRAFFIC

Domestic passenger traffic: **~148.8 lakh**
 Sequential growth of: **~5.9%**
 YoY growth of: **~11.3%**

CAPACITY DEPLOYMENT

Domestic capacity: **~1,02,182 departures**
 Sequential growth of: **~10.7%**
 YoY growth of: **~8.5%**

March 2025

DOMESTIC PASSENGER LOAD FACTOR

Estimated PLF of **~88.2%** in March 2025
 against **~86%** in March 2024 and **~90%** in
 February 2025

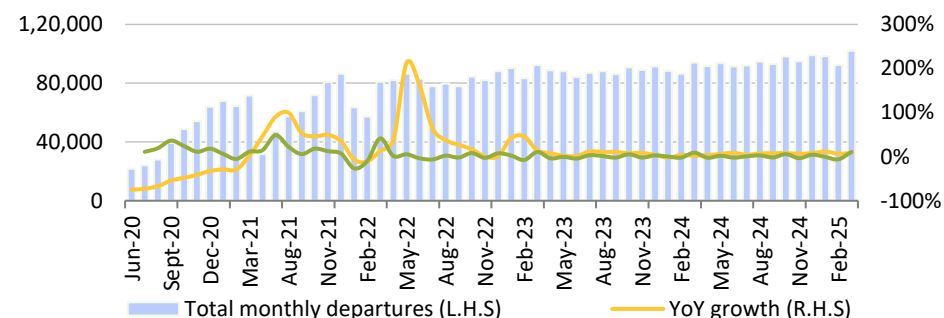
AVIATION TURBINE FUEL PRICES

Prices in April 2025 lower by **~12.9%** YoY over
 April 2024 and lower by 6.1% over March
 2025.

Domestic Passenger Traffic: ~11.3% YoY growth in March 2025; ~9.0% YoY growth in FY2025

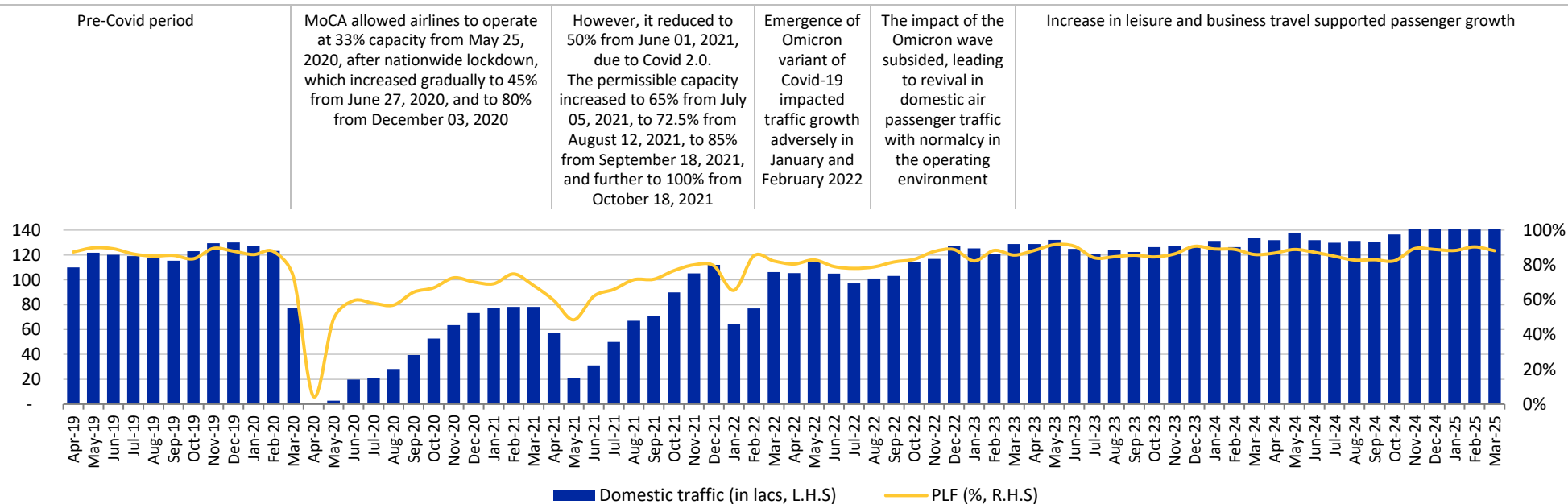
The capacity deployment for March 2025 was higher by ~8.5% over March 2024 (~1,02,182 departures in March 2025, against 94,150 departures in March 2024). Further, the number of departures in March 2025 were higher by ~10.7% on a sequential basis. For FY2025, the capacity deployment was higher by 7.2% on a YoY basis.

EXHIBIT 1: Trend in Capacity Deployment by Domestic Airlines



Source: MoCA, DGCA, ICRA Research

EXHIBIT 2: Domestic Passenger Growth & PLF

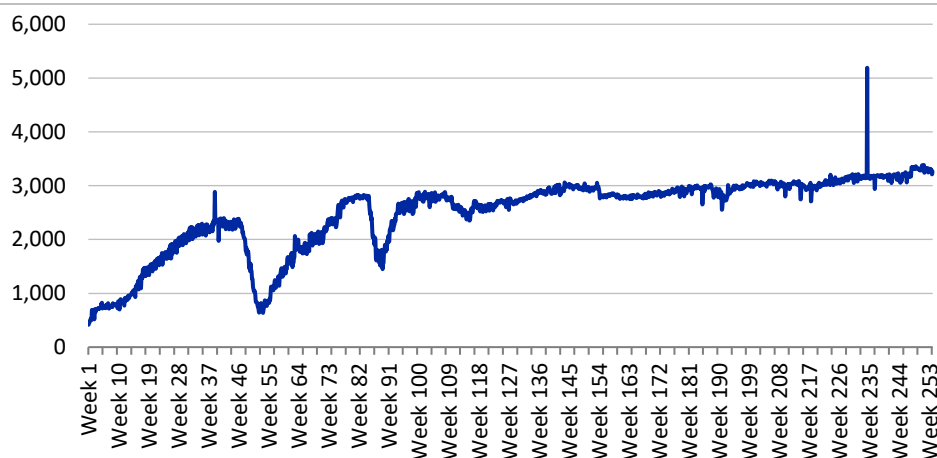


Source: MoCA, DGCA, ICRA Research

For March 2025, the domestic air passenger traffic stood at ~148.8 lakh against ~133.7 lakh in March 2024, implying a YoY growth of ~11.3%. On a sequential basis, the domestic air passenger traffic in March 2025 was higher by ~5.9% over February 2025. For FY2025 (April 2024–March 2025), the domestic air passenger traffic was ~1,657.1 lakh, a YoY growth of ~7.8%, in line with ICRA’s estimate.

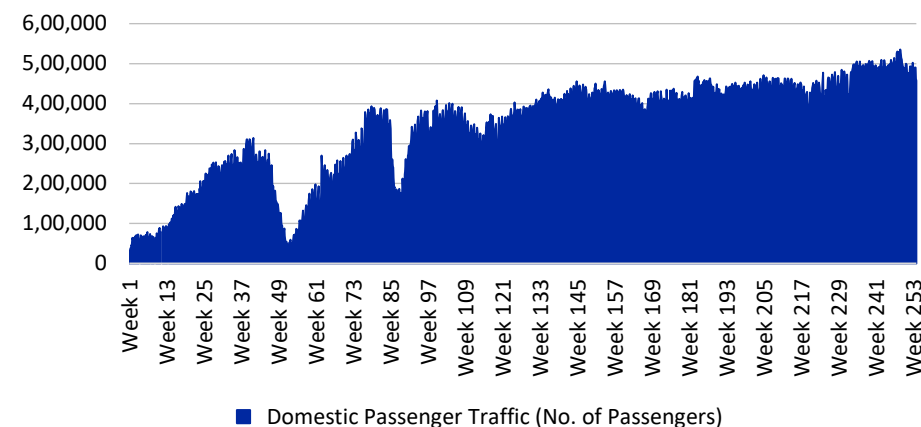
The highest single-day traffic of 5,35,343 was recorded on February 23, 2025, surpassing the previous historic highs. For March 2025, the average daily departures were ~3,296, higher than the average daily departures of ~3,037 in March 2024 and was similar to that witnessed during February 2025. At 146, the average number of passengers per flight in March 2025 was higher than 142 in March 2024, but lower than 142 in February 2025. It is estimated that the domestic aviation industry operated at a PLF of ~88.2% in March 2025, against 86.0% in March 2024, and 87.0% for FY2025, against 88.0% in FY2024.

EXHIBIT 3: Domestic Daily Flight Departures since May 25, 2020



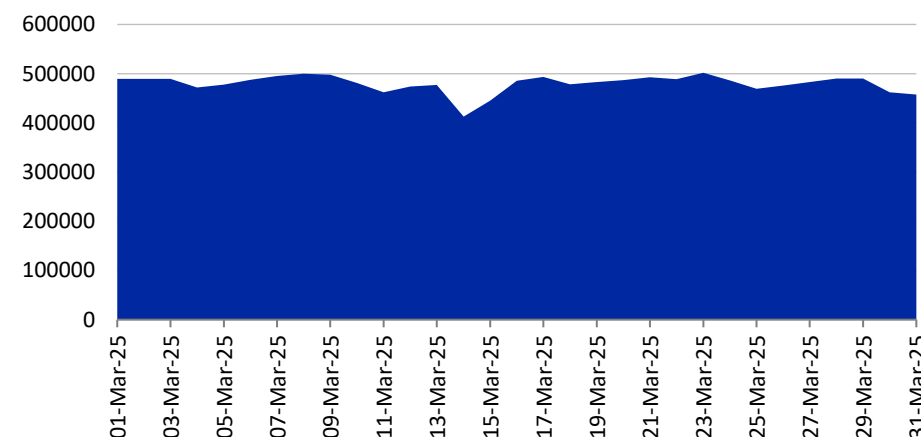
Source: MoCA, DGCA, ICRA Research

EXHIBIT 4: Daily Domestic Passenger Traffic since May 25, 2020



Source: MoCA, DGCA, ICRA Research

EXHIBIT 5: Daily Domestic Passenger Traffic in March 2025

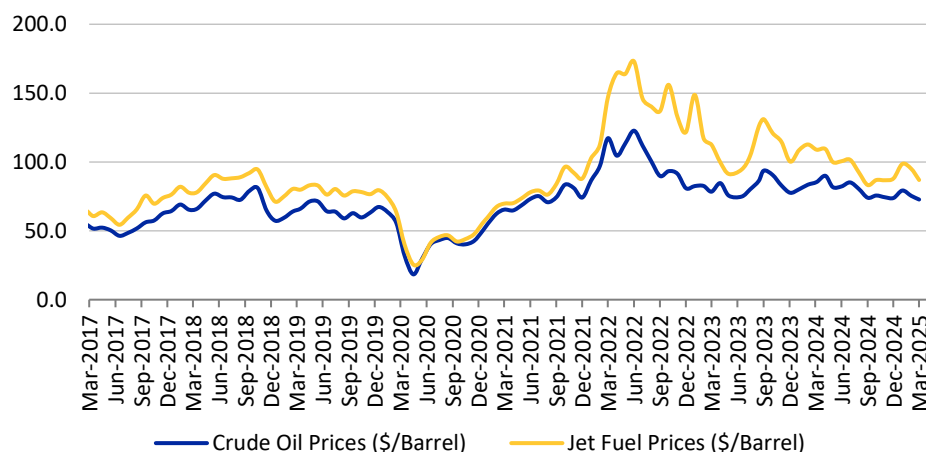


Source: MoCA, DGCA, ICRA Research

ATF Prices: Lower in April 2025 by ~12.9% YoY and ~6.1% sequentially

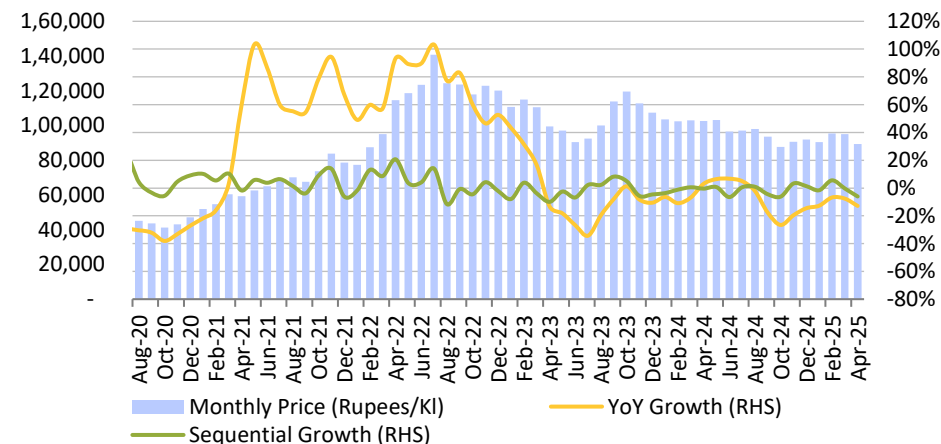
Following the pandemic, crude oil prices declined materially, reaching a low of ~\$19/barrel in April 2020 (the sharpest decline since Q4 CY2018). However, **the prices increased gradually thereafter and are currently at around \$64/barrel**. Between April 2023 and March 2024, the ATF prices were lower on a YoY basis, except in October 2023, resulting in average ATF prices in FY2024 being lower by 14% on a YoY basis. Further, between April 2024 and March 2025, the ATF prices were lower on a YoY basis in the months of April, June, September, October, January and March 2025, resulting in average ATF prices in FY2025 being lower by 8% on a YoY basis. The ATF prices further declined in April 2025 by 6.1% sequentially and remained lower by 12.9% on YoY basis.

EXHIBIT 6: Movement in Crude Oil & Jet Fuel Prices (\$/Barrel)



Source: International Air Transport Association (IATA), ICRA Research

EXHIBIT 7: Movement in Jet Fuel Prices



Source: Indian Oil Corporation Limited, ICRA Research

ICRA-rated airline companies

EXHIBIT 8: Rating Distribution of ICRA-rated Universe of Airline Companies (as on April 15, 2025)

Company Name	Rating Outstanding	Last Rating Action
Interglobe Aviation Limited	[ICRA]AA- (Stable) / [ICRA]A1+	Long-term rating upgraded and short-term rating reaffirmed

Source: ICRA Research



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ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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