



## INDIAN AVIATION INDUSTRY

**Domestic passenger traffic grew by 4%  
YoY in May 2025**

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**June 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 FY2026.

Domestic air passenger traffic is expected to grow by 7-10% in FY2026 on YoY basis, reaching 175-181 million passengers, following a 7.6% increase on YoY basis in FY2025 to 165.4 million passengers.

For May 2025, domestic air passenger traffic was estimated at 143.6 lakh, 4.1% higher than 138.0 lakh in May 2024, however, it remained flattish on a sequential basis. The airlines' capacity deployment in May 2025 was 5.1% higher than in May 2024 and steady compared to April 2025. For 2M FY2026 (April-May 2025), domestic air passenger traffic was 286.8 lakh, a YoY growth of 6.2%. For April 2025, international passenger traffic for Indian carriers was around 30.1 lakh, a YoY growth of 17.2%.

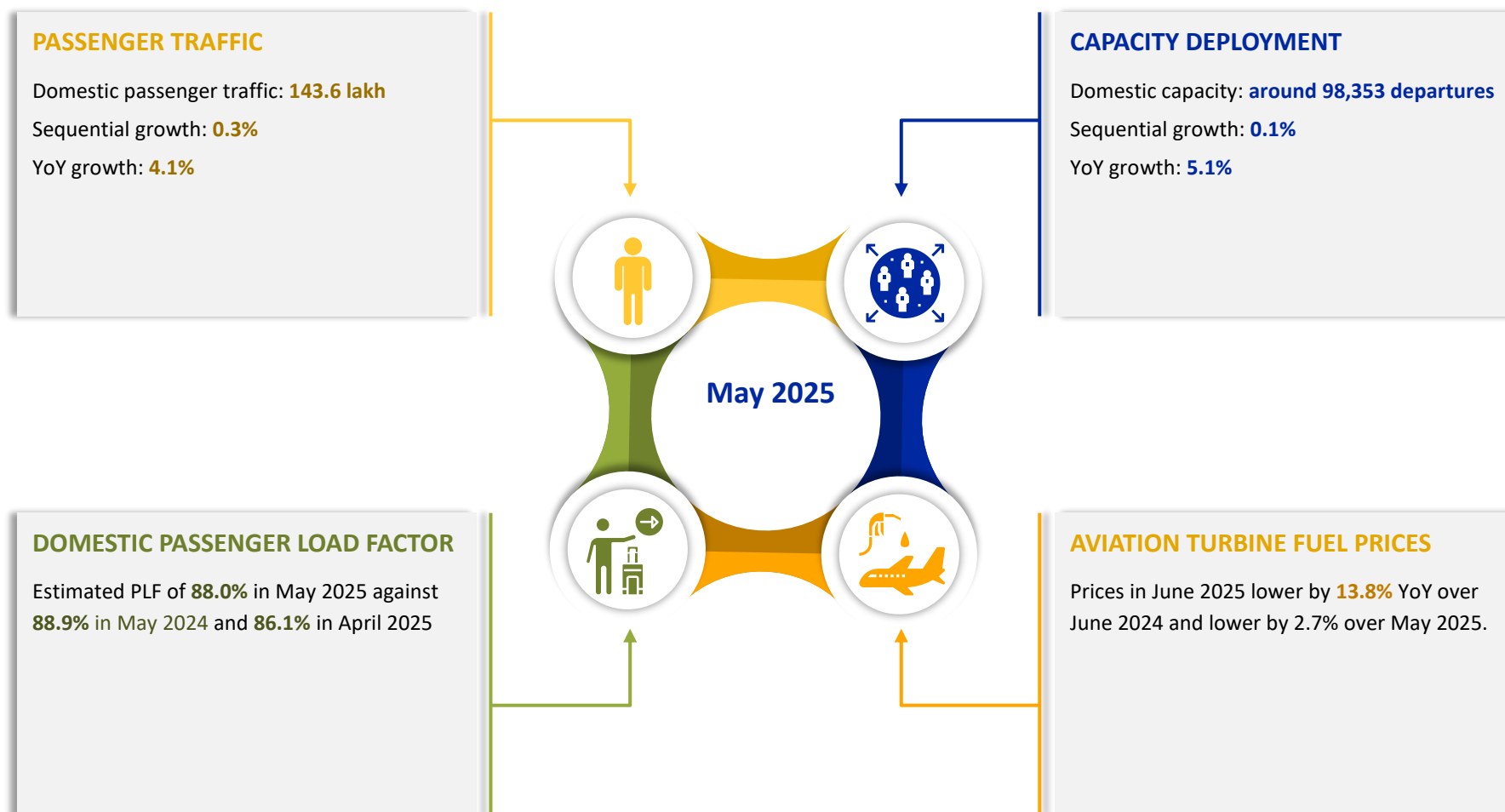
For FY2025 (April 2024–March 2025), domestic air passenger traffic stood at around 1,653.8 lakh, a YoY growth of 7.6% and 16.8% higher than the pre-Covid level of around 1,415.6 lakh in FY2020. This was in line with ICRA's estimates of 7-10% YoY growth for FY2025. Further, for FY2025, international passenger traffic for Indian carriers stood at 338.6 lakh, a YoY growth of 14.1% (largely in line with ICRA estimates), and 49.0% higher than the pre-Covid level of 227.3 lakh.

- **Stable outlook on Indian aviation industry** – ICRA's outlook on the Indian aviation industry is Stable, however emerging geopolitical and operational headwinds—in the form of rising crude oil prices (because of the Israel-Iran conflict), closure of the air space over Iran and Pakistan (for Indian carriers), possible rise in insurance premia (after the recent airplane crash), and possible hesitation to travel—warrant close monitoring for potential downside risks. The operating costs for the Indian aviation industry are likely to have risen in the past couple of months (because of flight cancellations and other operating challenges in the aftermath of the India-Pakistan conflict), however, overall passenger traffic and pricing have so far held steady.

The industry is estimated to have witnessed steady pricing power during FY2025 as well compared to FY2024 with stable yields. Domestic air passenger traffic growth tapered to 7.6% in FY2025, in line with ICRA's expectations, given the high base of FY2024 and lower passenger traffic in H1 FY2025, which were impacted by severe heatwaves and other weather-related disruptions. The domestic air passenger traffic is estimated to grow at 7-10% in FY2026. However, the yields may come under pressure, as airlines strive to maintain adequate passenger load factors (PLFs). International passenger traffic for Indian carriers is expected to grow by 15-20% in FY2026.

- **ATF prices in June 2025 were lower by around 14% YoY**– 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. Further, the ATF prices in Q1 FY2026 were lower by 14.6%, on a YoY basis. Fuel costs account for 30-40% of airlines' total expenses, while 35-50% of 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 implement fare hikes, proportionate to input cost increase, will be key to expanding profit margins.

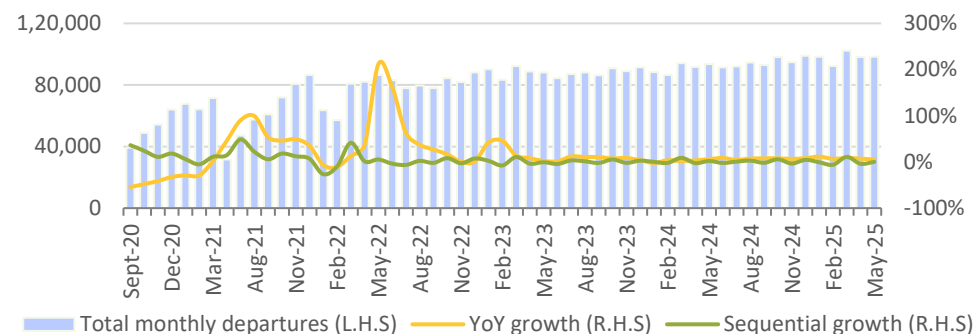
- Industry's net losses to remain range-bound** – The pace of recovery in industry earnings is likely to be gradual, owing to the high fixed-cost nature of the business. ICRA projects the Indian aviation industry's net loss to be in the range of Rs. 20-30 billion in FY2026, in line with the estimated range for FY2025. However, these losses are expected to continue compared to a net profit of around Rs. 16 billion in FY2024, due to anticipated pressure on yields as airlines strive to maintain adequate PLF amid continued elevated ATF prices. Further, higher borrowing costs, due to increased lease liabilities associated with scheduled aircraft deliveries for select airlines, are likely to increase the interest burden. Nonetheless, the expected losses are significantly lower compared to Rs. 235 billion and Rs. 174 billion reported in FY2022 and FY2023, respectively. The industry's interest coverage ratio is projected to be at 1.5-2.0 times for FY2026.
- Supply-chain challenges and engine failure issues impact industry capacity** – The industry has been facing supply-chain challenges and engine failure issues related to Pratt & 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 started grounding some of its 70 aircraft from Q2 FY2025 onwards, 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 number of grounded aircrafts has reduced to around 40 as of May 2025 from around 133 as of March 2025, which was around 16% of the total industry fleet. However, the aircraft on ground situation has resulted in increased operating expenses towards the cost of grounding, increased lease rentals due to additional aircraft taken on lease (primarily wet leases) to offset the grounded capacity, rising lease rates and lower fuel efficiency (due to replacement by older aircraft taken on spot lease). These factors have adversely impacted the airlines' cost structures. 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 pilots and cabin crew, resulting in several flight cancellations and delays. Such issues impact the capacity availability and add to customer grievances. The impact of the recent airplane crash on aircraft deliveries from Boeing will be a key monitorable.
- Select airlines face financial distress, stretched liquidity issues** – While some airlines have adequate liquidity and/or financial support from strong parent companies, supporting their credit profiles, the credit metrics and liquidity profiles of others will remain under pressure in the near term, despite some improvement in recent years.



## Domestic Passenger Traffic: 4.1% YoY growth in May 2025

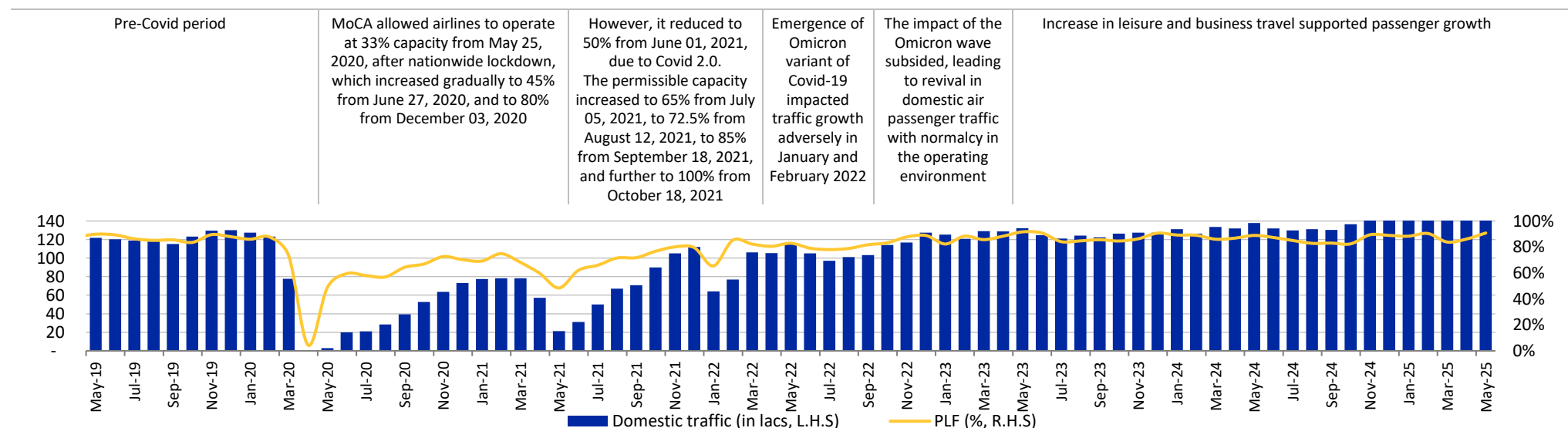
The capacity deployment for May 2025 was higher by 5.1% over May 2024 (around 98,353 departures in May 2025, against 93,551 departures in May 2024). The number of departures in May 2025 remained largely flat on a sequential basis. For FY2025, the capacity deployment was higher by 7.3% on a YoY basis.

**EXHIBIT 1: Trend in Capacity Deployment by Domestic Airlines**



Source: MoCA, DGCA, ICRA Research

**EXHIBIT 2: Domestic Passenger Growth & PLF**

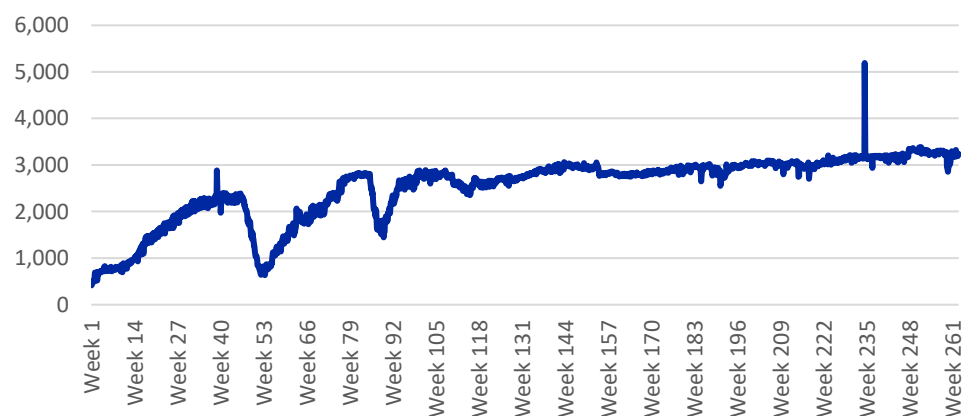


Source: MoCA, DGCA, ICRA Research

For May 2025, the domestic air passenger traffic stood at 143.6 lakh against 138.0 lakh in May 2024, implying a YoY growth of 4.1%. On a sequential basis, the domestic air passenger traffic in May 2025 was flattish vis-à-vis April 2025. For 2M FY2026, the domestic air passenger traffic was 286.8 lakh, a YoY growth of 6.2%.

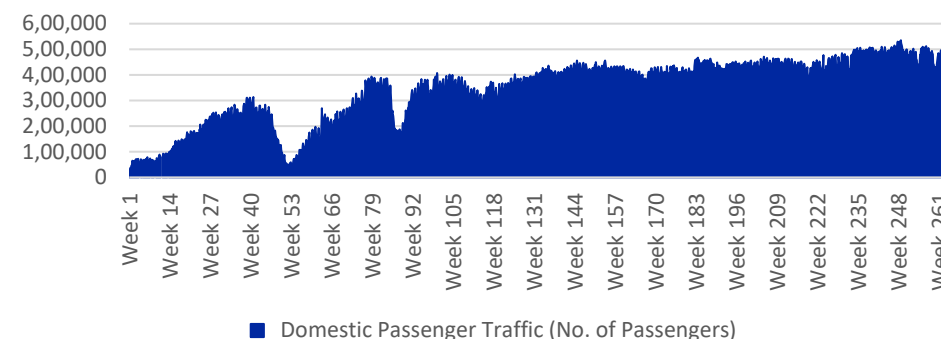
The highest single-day traffic of 535,343 was recorded on February 23, 2025, surpassing the previous historic highs as passenger travel was upbeat with the Maha Kumbh event held in Prayagraj. For May 2025, the average daily departures were around 3,173, higher than the average daily departures of around 3,018 in May 2024, but was lower than the average daily departures of around 3,274 witnessed during April 2025. At 146, the average number of passengers per flight in May 2025 was marginally lower than 147 in May 2024 but similar to 146 in April 2025. It is estimated that the domestic aviation industry operated at a PLF of 88.0% in May 2025, against 88.9% in May 2024 and 86.1% in April 2025.

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



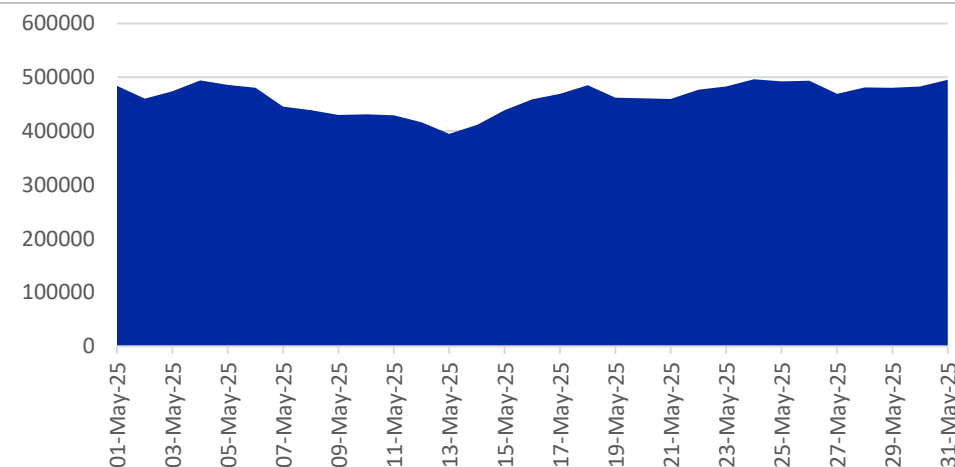
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

**EXHIBIT 5: Daily Domestic Passenger Traffic in May 2025**

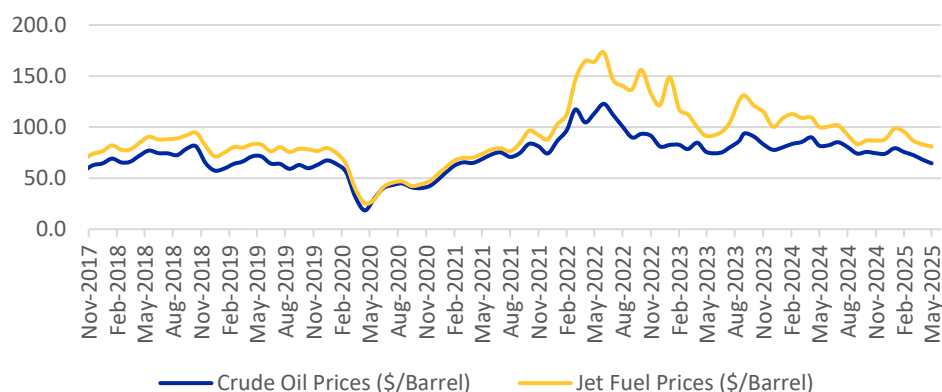


Source: MoCA, DGCA, ICRA Research

## ATF Prices: Lower in June 2025 by 13.8% YoY and 2.7% sequentially

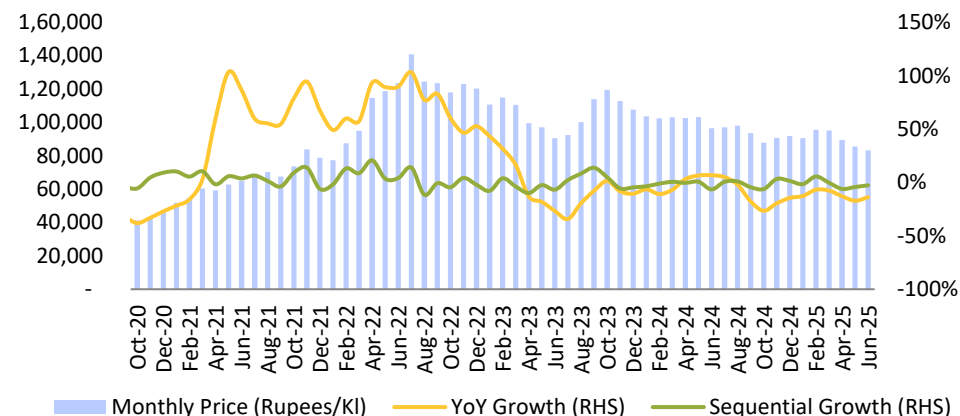
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest decline since Q4 CY2018). However, **the prices increased gradually thereafter and are around \$67/barrel at present**. Between April 2023 and March 2024, the ATF prices were lower on a YoY basis, except in October 2023, leading to 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 April, June, September, October, January and March 2025, resulting in average ATF prices for FY2025 being lower by 8% on a YoY basis. The ATF prices further declined in Q1 FY2026 by 8.2% sequentially and remained lower by 14.6% on a YoY basis.

**EXHIBIT 6: Movement in Crude Oil and 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 June 18, 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
SNV Aviation Private Limited (d.b.a Akasa Air)	[ICRA]BBB- (Stable) / [ICRA]A3	Rating assigned

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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- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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