



## INDIAN AVIATION INDUSTRY

**Domestic passenger traffic grew by 5%  
YoY in June 2025 and Q1 FY2026**

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### July 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% YoY increase in FY2025 to 165.4 million passengers.

For June 2025, domestic air passenger traffic was estimated at 138.7 lakh, 5.1% higher than 132.1 lakh in June 2024. However, it witnessed a marginal decline of 1.3% on a sequential basis. The airlines' capacity deployment in June 2025 was 4.9% higher than June 2024; however, it was 2.3% lower compared to May 2025. For Q1 FY2026 (April-June 2025), domestic air passenger traffic was 422.4 lakh, reflecting a YoY growth of 5.1%. For May 2025, international passenger traffic for Indian carriers was 29.7 lakh, a YoY growth of 7.3%. However, it remained lower by 7.9% on a sequential basis owing to geopolitical headwinds. For 2M FY2026, international passenger traffic for Indian carriers stood at 59.8 lakh, a YoY growth of 12.1%.

For FY2025 (April 2024–March 2025), domestic air passenger traffic stood at around 1,653.8 lakh, a YoY growth of 7.6%. 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's estimates).

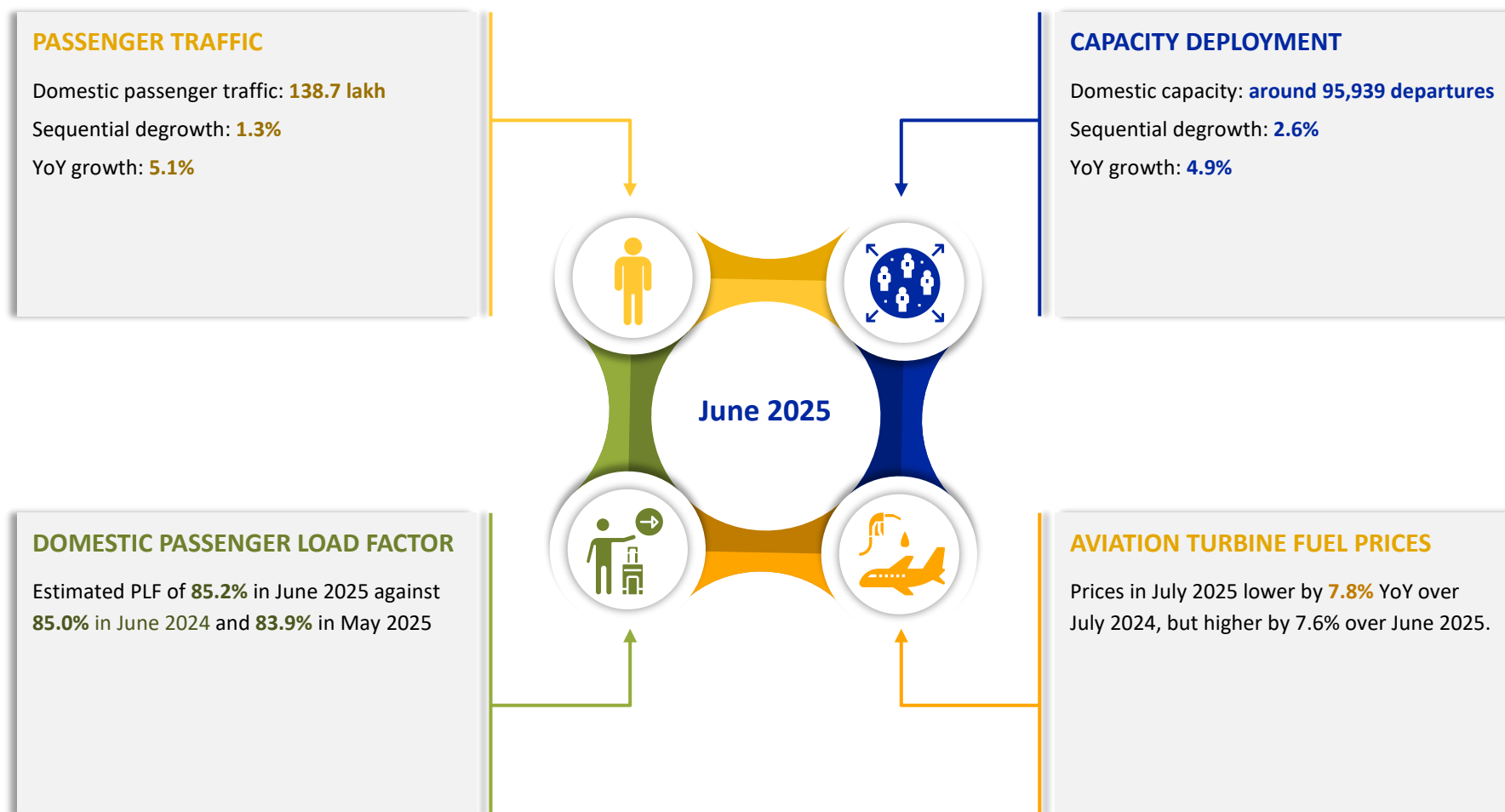
- **Stable outlook on Indian aviation industry** – ICRA's outlook on the Indian aviation industry is Stable. However, emerging geopolitical and operational headwinds—in the form of rising crude oil prices (because of the Israel-Iran conflict), closure of the airspace over Iran and Pakistan (for Indian carriers), probable rise in insurance premia (after the recent aeroplane 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 increased in the past couple of months (due to flight cancellations and other operational challenges following the India–Pakistan conflict). Nevertheless, the overall passenger traffic and the pricing so far have remained steady.

The industry witnessed steady pricing power in FY2025, 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 traffic in H1 FY2025, which was impacted by severe heatwaves and other weather-related disruptions. Domestic air passenger traffic is estimated to grow by 7-10% in FY2026. However, 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; however, it remains a monitorable, given the recent geopolitical concerns.

- **ATF prices in July 2025 were higher by around 7.6% on a sequential basis** – The yield movement 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 significant bearing on airlines' cost structures. Average ATF prices stood at Rs. 95,181/KL in FY2025, lower by 8.0% on a YoY basis. Further, ATF prices from April 1, 2025, until July 1, 2025, were lower by 13.0% on a YoY basis. However, the average ATF price rose by 7.6% in July 2025 on a sequential basis, owing to the Israel-Iran conflict. Fuel costs account for 30-40% of airlines' operating expenses, including aircraft lease payments. Further, 35-50% of operating expenses, fuel expenses and a significant portion of aircraft and engine maintenance expenses, are denominated in dollar terms. Also, some airlines have foreign currency debt. Although 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 increases will be key to expanding profit margins.

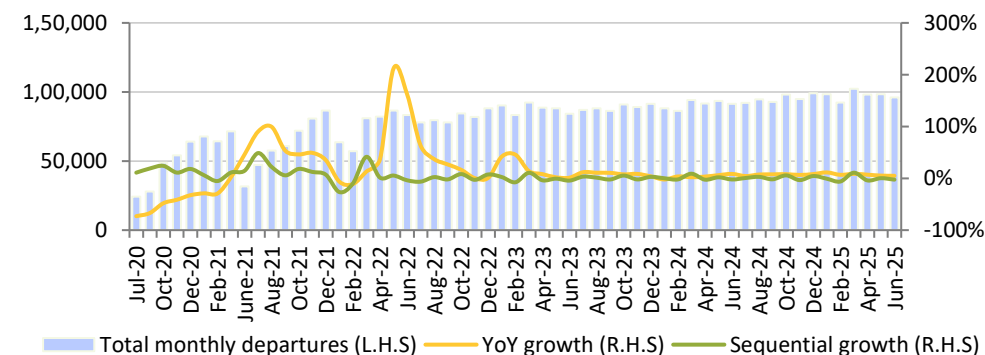
- Industry's net losses to remain range-bound** – The pace of recovery for industry earnings is likely to be gradual, owing to the high fixed-cost nature of the business. ICRA projects the Indian aviation industry's net loss to be Rs. 20-30 billion in FY2026, in line with the estimated range for FY2025. However, these losses are expected to continue compared to a net profit of around Rs. 16 billion in FY2024 due to the 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, 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 contamination factor (used to manufacture certain engine parts) in its P&W fleet. However, the number of grounded aircraft reduced to around 40 as of May 2025, down from around 133 as of March 2025—representing around 16% of the total industry fleet. Nonetheless, the aircraft-on-ground situation has resulted in increased operating expenses owing to the cost of grounding, higher 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 airlines' cost structures. However, healthy yields, high PLFs and partial compensation 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 Boeing's aircraft deliveries will be a key monitorable. Following the crash and other ongoing operational challenges, Air India has announced a temporary reduction of around 15% in its international flight capacity operated by wide-body aircraft.
- Select airlines face financial challenges, 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: 5.1% YoY growth in June 2025

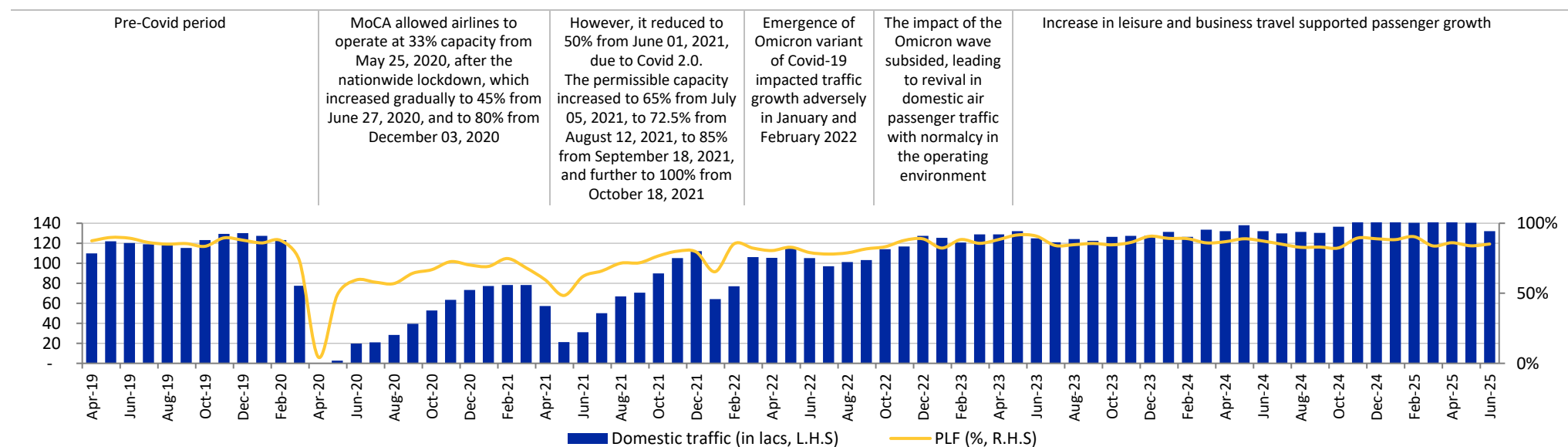
The capacity deployment for June 2025 was higher by 5.1% over June 2024 (around 95,939 departures in June 2025 against 91,493 in June 2024). However, the number of departures in June 2025 remained 2.6% lower on a sequential basis. For FY2025, capacity deployment was 7.3% higher on a YoY basis.

**EXHIBIT 1: Trend in capacity deployment by domestic airlines**



Source: MoCA, DGCA, ICRA Research

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

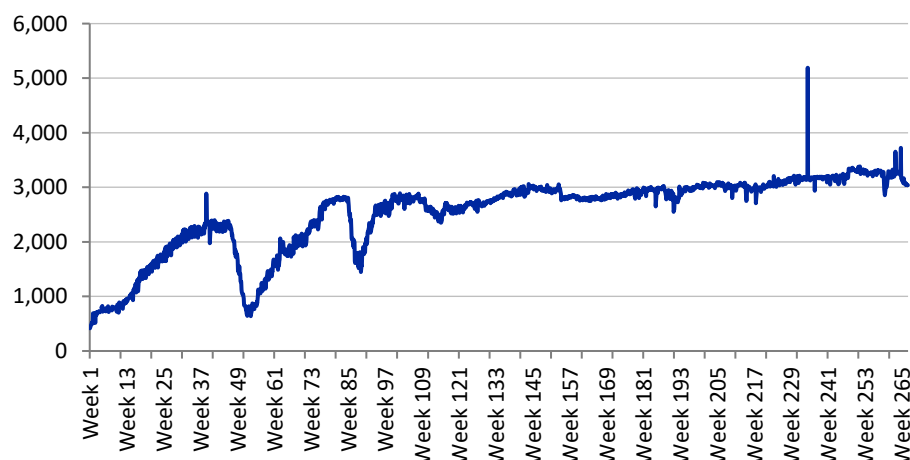


Source: MoCA, DGCA, ICRA Research

For June 2025, domestic air passenger traffic stood at 138.7 lakh against 132.1 lakh in June 2024, implying a 5.1% YoY growth. On a sequential basis, domestic air passenger traffic in June 2025 was lower by 1.3%. For Q1 FY2026, domestic air passenger traffic was 422.3 lakh, reflecting a YoY growth of 5.1%.

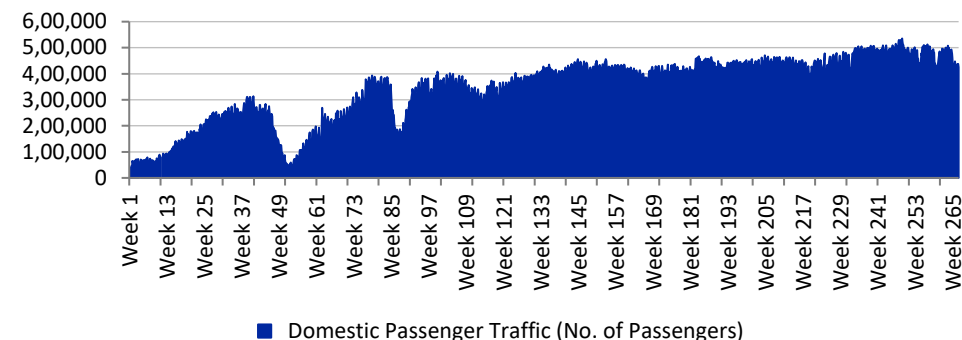
The highest single-day traffic of 535,343 was recorded on February 23, 2025, surpassing previous historic highs as passenger travel surged due to the Maha Kumbh event held in Prayagraj. For June 2025, the average daily departures were around 3,198, higher than the around 3,050 in June 2024 and 3,176 in May 2025. At 145, the average number of passengers per flight in June 2025 was marginally higher than 144 in June 2024 and 143 in May 2025. It is estimated that the domestic aviation industry operated at a PLF of 85.2% in June 2025 compared to 85.0% in June 2024 and 83.9% in May 2025.

**EXHIBIT 3: Domestic daily flight departures since May 25, 2020**



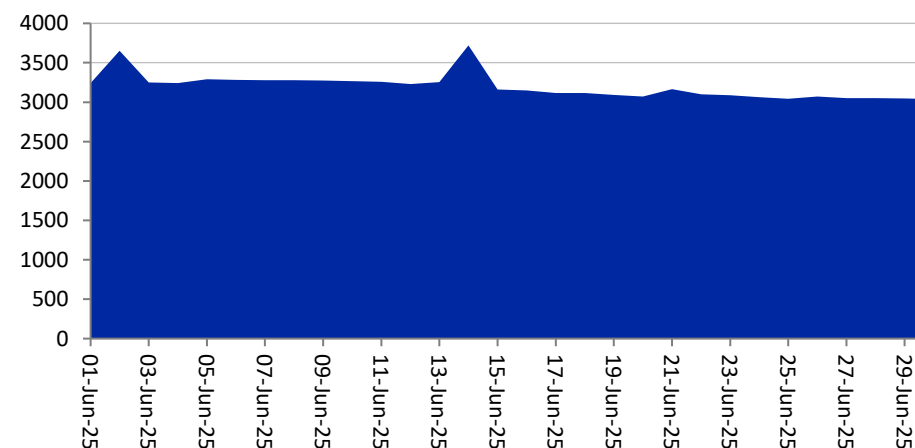
Source: MoCA, DGCA, ICRA Research

**EXHIBIT 4: Daily domestic passenger traffic since May 25, 2020**



Source: MoCA, DGCA, ICRA Research

**EXHIBIT 5: Daily domestic passenger traffic in June 2025**

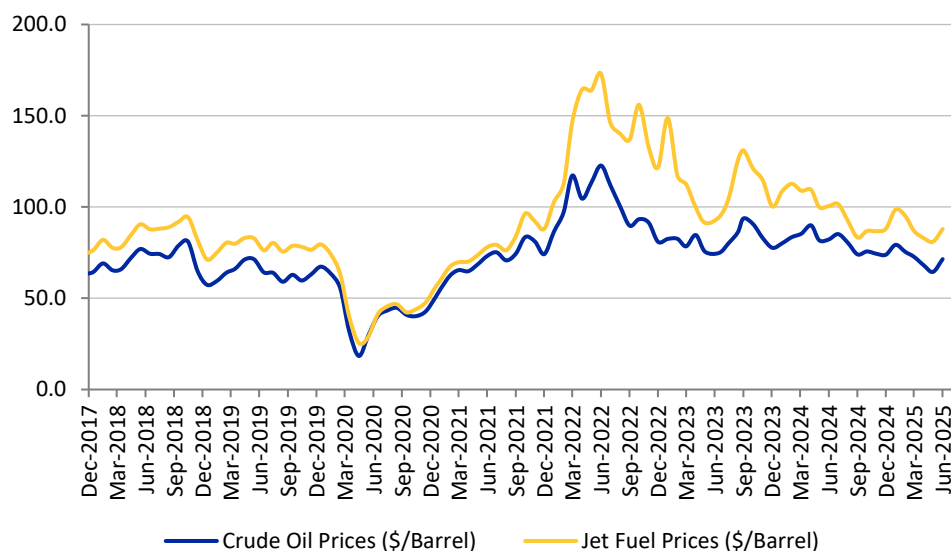


Source: MoCA, DGCA, ICRA Research

## ATF prices: Lower in July 2025 by 7.8% YoY, but higher by 7.6% sequentially

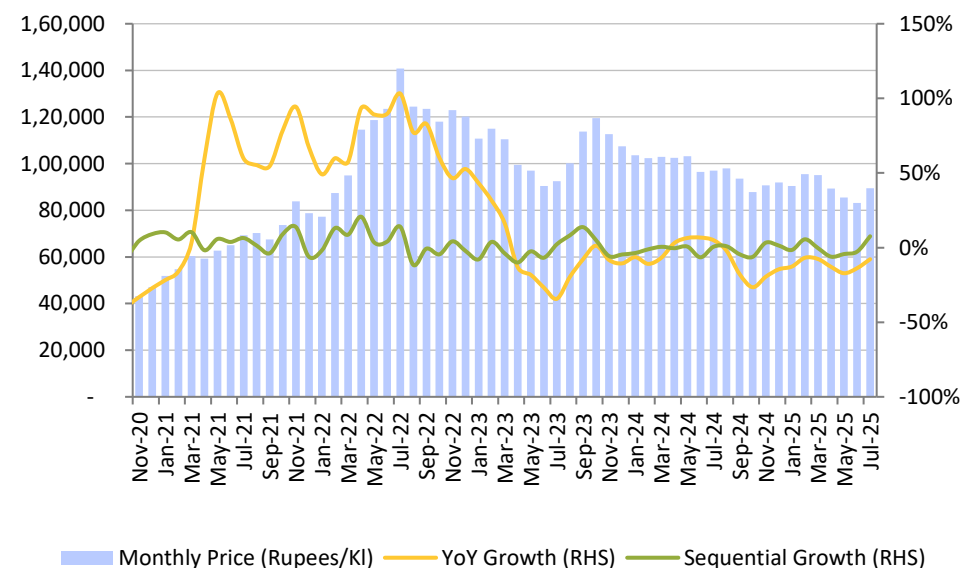
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest decline since Q4 CY2018). However, **prices increased gradually thereafter and are around \$68/barrel at present**. Between April 2024 and March 2025, ATF prices were lower on a YoY basis in April, June, September, October, January and March 2025, resulting in average ATF prices for FY2025 being 8% lower on a YoY basis. ATF prices further declined by 12.9% on a YoY basis in 4M FY2026. Between April and July 2025, ATF price was lower on a YoY basis, except in July 2025, when it increased by 7.6% due to geopolitical headwinds.

**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 July 7, 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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Our services are designed to

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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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