



INDIAN AVIATION INDUSTRY

**Domestic passenger traffic decline by 1%
YoY in July 2025**

August 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. 95-105 billion in FY2026.

Domestic air passenger traffic is expected to grow by 4-6% in FY2026 on YoY basis, reaching 172 to 176 million passengers, following a 7.6% YoY increase in FY2025 to 165.4 million passengers.

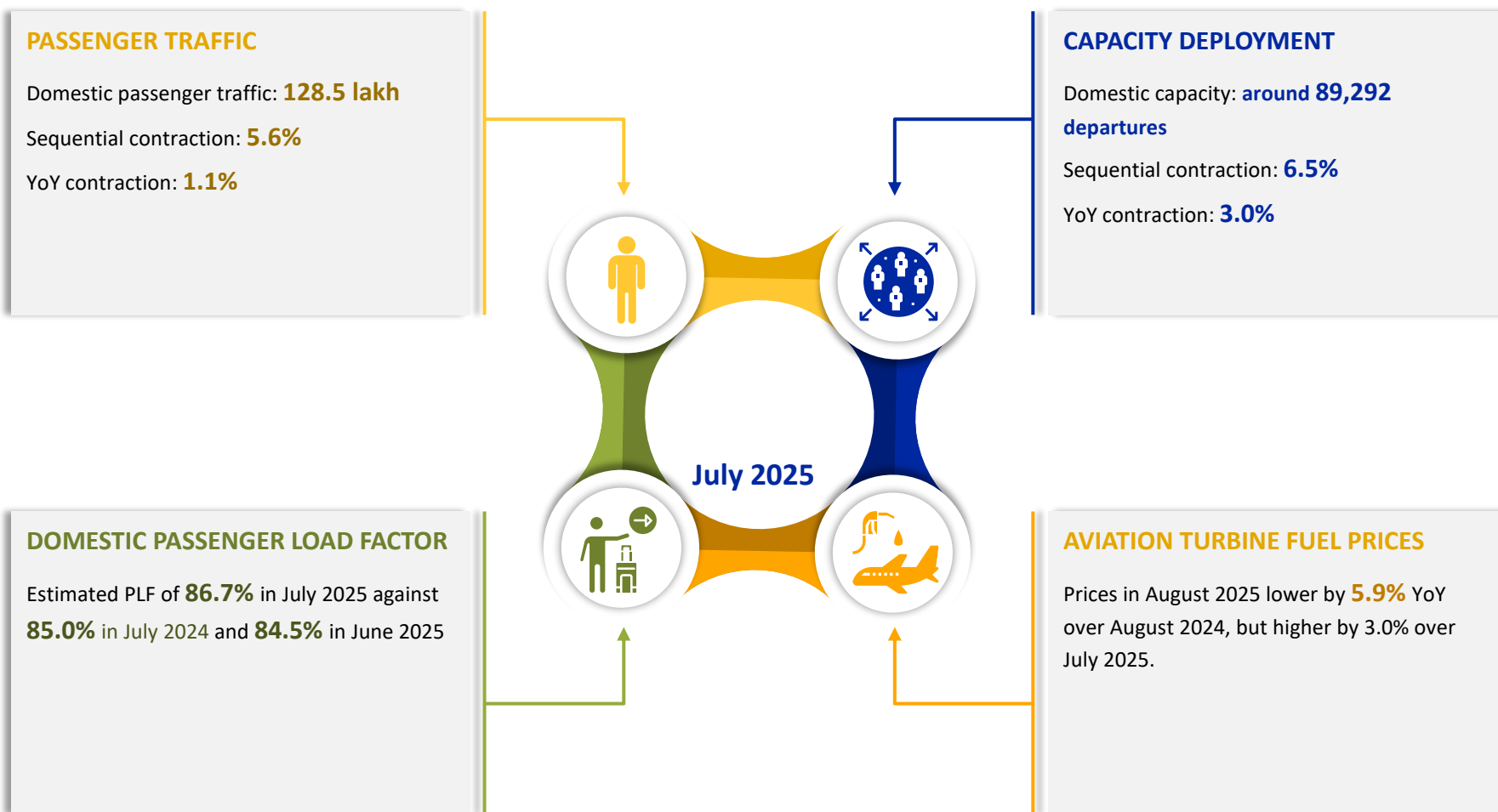
For July 2025, domestic air passenger traffic was estimated at 128.5 lakh, 1.1% lower than 129.9 lakh in July 2024. Further, it saw a decline of 5.6% on a sequential basis. The airlines' capacity deployment in July 2025 was 3.0% lower than July 2024 and 6.5% lower compared to June 2025. For 4M FY2026 (April-July 2025), domestic air passenger traffic was 548.2 lakh, reflecting a YoY growth of 3.1%. For June 2025, international passenger traffic for Indian carriers was 27.5 lakh, a YoY growth of 1.6%. However, it remained lower by 7.4% on a sequential basis on account of the ongoing geopolitical situation and operational challenges induced by the heavy rains in various parts of the country during July 2025 and weakened consumer sentiments due to recent aircraft mishap in June 2025. For Q1 FY2026, international passenger traffic for Indian carriers stood at 87.8 lakh, a YoY growth of 11.5%.

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 driven by expectations of modest growth in domestic air passenger traffic in FY2026. While the overall passenger traffic have so far held steady, ongoing geopolitical and operational headwinds warrant close monitoring for potential downside risks. ICRA forecasts the domestic air passenger traffic growth at 4-6% in FY2026, lower than its previous expectations of 7-10% weighed down by cross-border escalations, that had led to flight disruptions and cancellations, as well as travel hesitancy post the aircraft accident tragedy. The international air passenger traffic for Indian carriers is likely to grow by 13-15% in FY2026, though lower than previous projections of 15-20%, owing to prolonged period of monsoons which is likely to have affected air travel in July-August 2025 and now trade headwinds emanating from US tariffs are set to dampen business sentiments in the coming quarters, bringing more circumspection to travel.

- **ATF prices in August 2025 were higher by around 3.0% 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. The 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 August 1, 2025, have been lower by 11.6% on a YoY basis. However, the average ATF prices rose by 3.0% in August 2025 on a sequential basis. 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 the key to expanding profit margins.

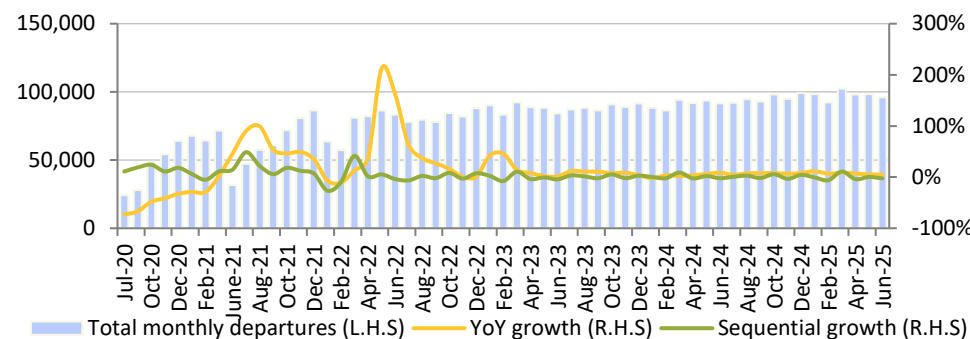
- **Industry's net losses to increase to Rs. 95-105 billion** – ICRA expects the Indian aviation industry to report a net loss of Rs. 95-105 billion in FY2026 compared to around Rs. 55 billion estimated net loss in FY2025. Losses are set to shoot up principally because passenger traffic growth will be slowing down amid a period of rising aircraft deliveries. The estimated net loss for FY2025 and expected net loss for FY2026 have risen from ICRA's earlier estimates of Rs. 20-30 billion each for FY2026 and FY2027, following an expanded sample of Indian airlines. Nonetheless, the expected losses are significantly lower compared to Rs. 216 billion and Rs. 179 billion reported in FY2022 and FY2023, respectively. The industry's interest coverage ratio is projected to be at 1.5-1.7 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) grounded around 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 June 2025 for IndiGo. Overall, engine failures and supply chain challenges led to the grounding of around 133 aircraft for select airlines as on March 31, 2025, which is 15-17% of the total industry fleet, impacting overall industry capacity. However, this improved from 20-22% of the total industry fleet grounded as on September 30, 2023, and is expected to further improve in FY2026. 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: 1.1% YoY decline in July 2025

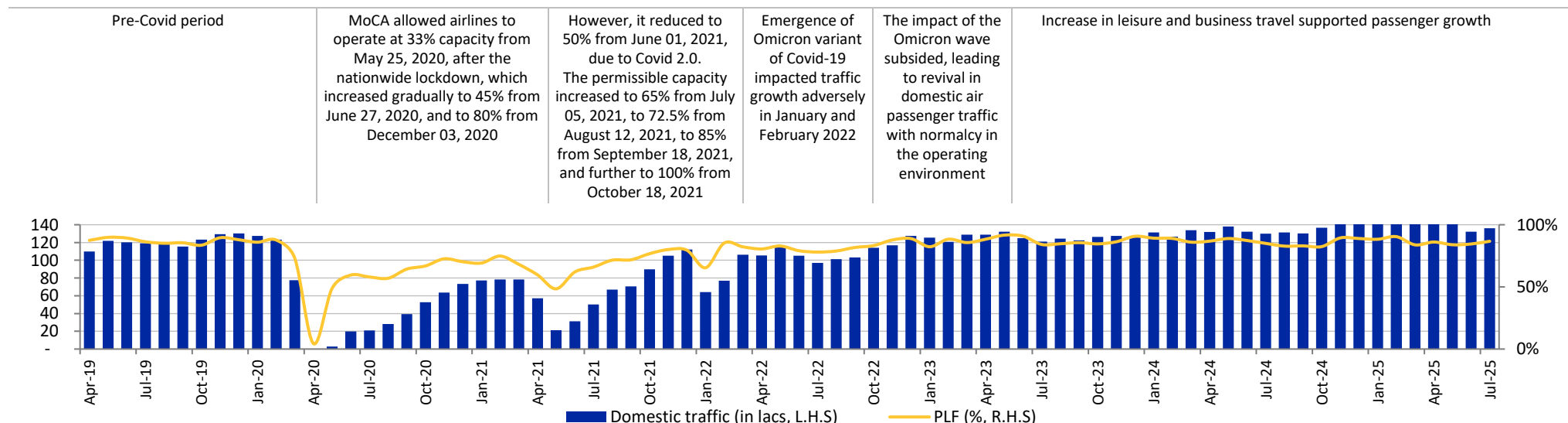
The capacity deployment for July 2025 was lower by 3.0% over July 2024 (around 89,292 departures in July 2025 against 92,066 in July 2024). The number of departures in July 2025 was also lower by 6.5% on a sequential basis weighed down by cross-border escalations, that had led to flight disruptions and cancellations, as well as travel hesitancy post the aircraft accident tragedy. 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

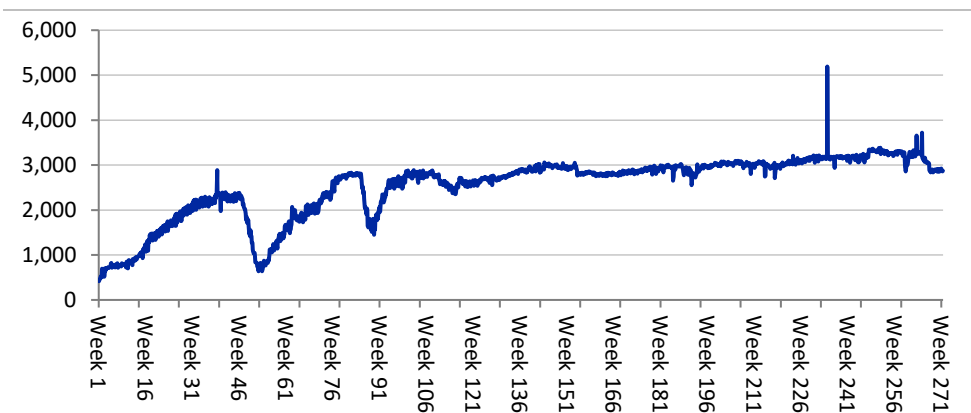


Source: MoCA, DGCA, ICRA Research

For July 2025, domestic air passenger traffic stood at 128.5 lakh against 129.9 lakh in July 2024, implying a 1.1% YoY decline. On a sequential basis, domestic air passenger traffic in July 2025 was lower by 5.6%. For 4M FY2026, domestic air passenger traffic was 548.2 lakh, reflecting a YoY growth of 3.1%.

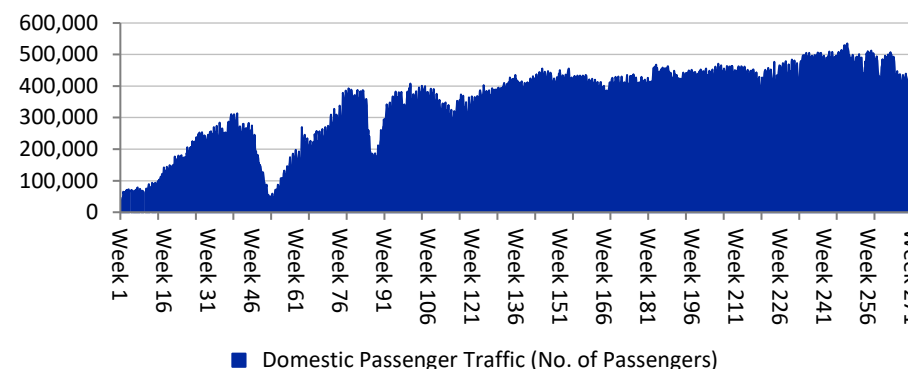
The highest single-day traffic of 535,343 was recorded on February 23, 2025, surpassing previous historic highs as passenger travel surged due to the Maha Kumbh event held in Prayagraj. For July 2025, the average daily departures were around 2,880, lower than the around 2,970 in July 2024 and 3,184 in June 2025. At 144, the average number of passengers per flight in July 2025 was marginally higher than 141 in July 2024 and 142 in June 2025. It is estimated that the domestic aviation industry operated at a PLF of 86.7% in July 2025 compared to 85.0% in July 2024 and 84.5% in June 2025.

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



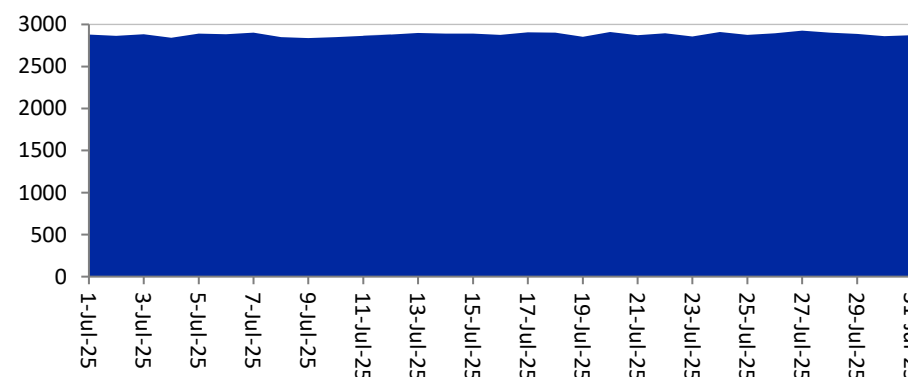
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

EXHIBIT 5: Daily domestic passenger traffic in July 2025

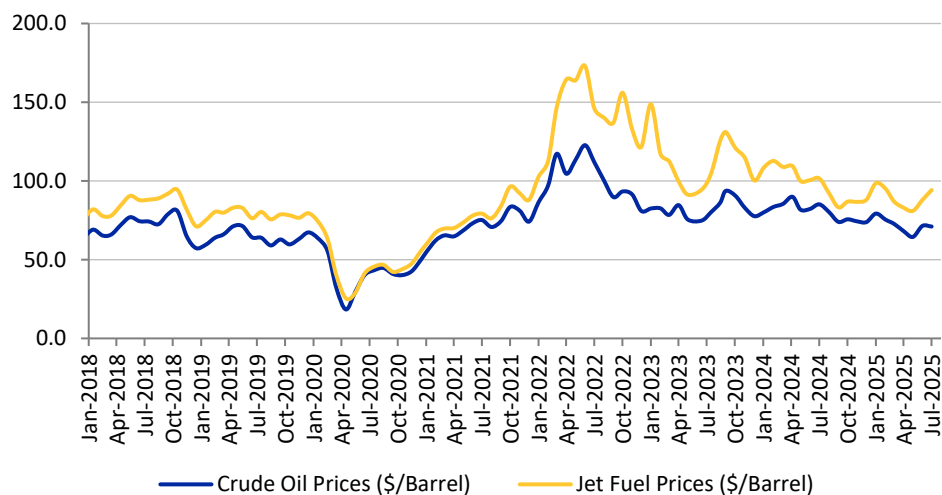


Source: MoCA, DGCA, ICRA Research

ATF prices: Lower in August 2025 by 5.9% YoY, but higher by 3.0% sequentially

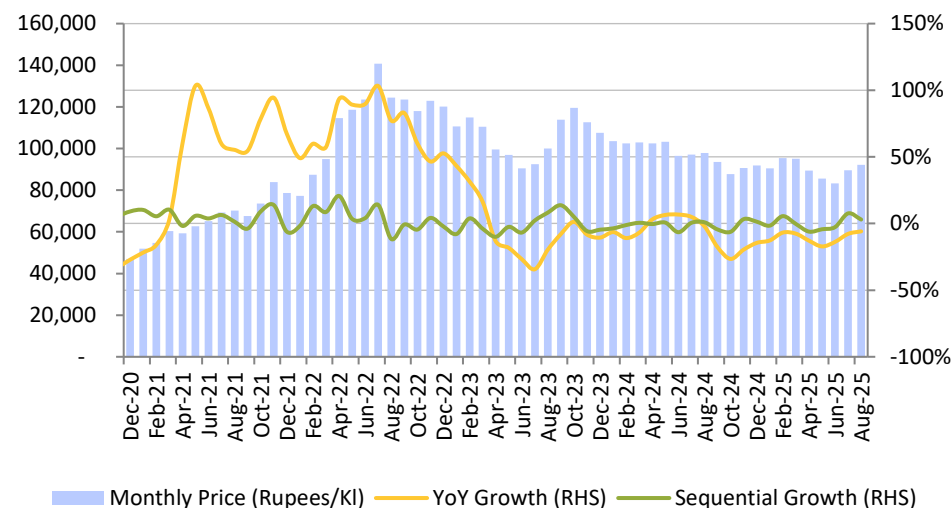
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest decline since Q4 CY2018). However, **prices increased gradually thereafter and are at around \$68/barrel at present**. Between April 2024 and March 2025, ATF prices were lower 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 recorded year-on-year declines each month from April to August 2025. However, on a month-to-month basis, prices fell between April and June, before rising again in July and August 2025.

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 August 28, 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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- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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