



INDIAN AVIATION INDUSTRY

Domestic passenger traffic remained
flattish in August 2025 on YoY basis

September 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.

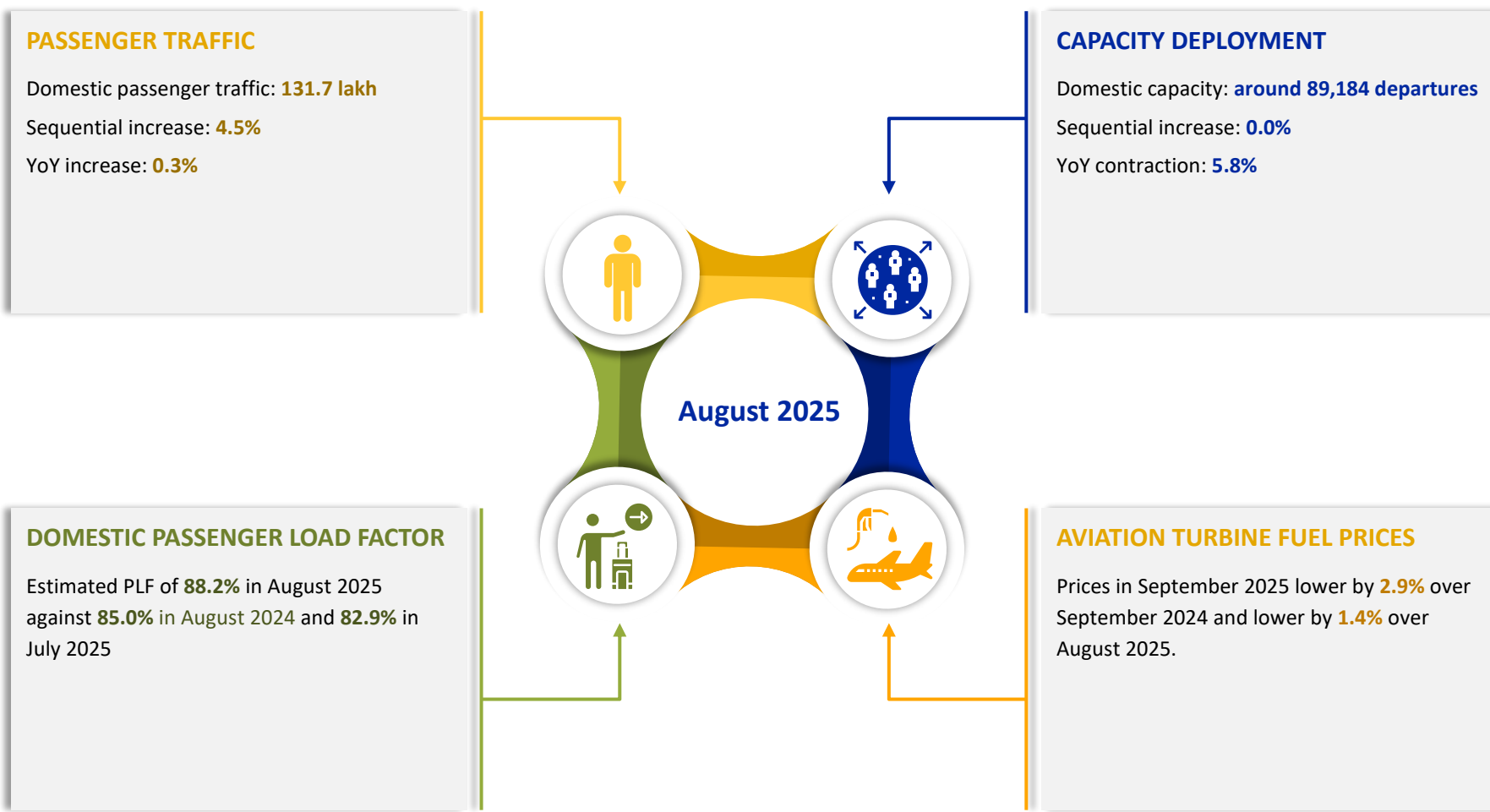
Domestic air passenger traffic is expected to grow by 4-6% in FY2026 on YoY basis, reaching 172 to 176 million passengers, following a 7.6% YoY increase in FY2025 to 165.4 million passengers.

For August 2025, domestic air passenger traffic was estimated at 131.7 lakh, 0.3% higher than 131.3 lakh in August 2024 and 4.5% higher than 126.1 lakh in July 2025. The airlines' capacity deployment in August 2025 was 5.8% lower than August 2024 and largely flattish compared to July 2025. For 5M FY2026 (April-August 2025), domestic air passenger traffic was 677.5 lakh, reflecting a YoY growth of 2.2%. In July 2025, international passenger traffic for Indian carriers stood at 29.6 lakh, a YoY growth of 6.7% and a sequential increase of 6.8%. This growth was driven by a recovery in air travel, following a YoY growth of only 1.9% in June 2025, which had been adversely impacted by geopolitical tensions and weakened consumer sentiments due to the aircraft mishap. For 4M FY2026 (April-July 2025), international passenger traffic for Indian carriers stood at 117.3 lakh, a YoY growth of 10.2%.

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, international passenger traffic for Indian carriers stood at 338.6 lakh for FY2025, 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 has 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%. This is attributed to cross-border escalations that led to flight disruptions and cancellations, as well as travel hesitancy following the aircraft accident tragedy. These factors, coupled with trade headwinds stemming from US tariffs, are set to dampen business sentiments in the coming quarters, bringing more circumspection to travel. Hence, in August 2025, ICRA revised its forecasts of growth in international air passenger traffic for Indian carriers to 13-15% in FY2026, from previous projections of 15-20%.
- **ATF prices in September 2025 were lower by around 1.4% on a sequential basis** – The yield movement will remain monitorable amid elevated aviation turbine fuel (ATF) prices and the 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 September 1, 2025, have been lower by 10.2% on a YoY basis. The average ATF prices declined by 1.4% in September 2025 on a sequential basis and by 2.9% on a YoY 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.

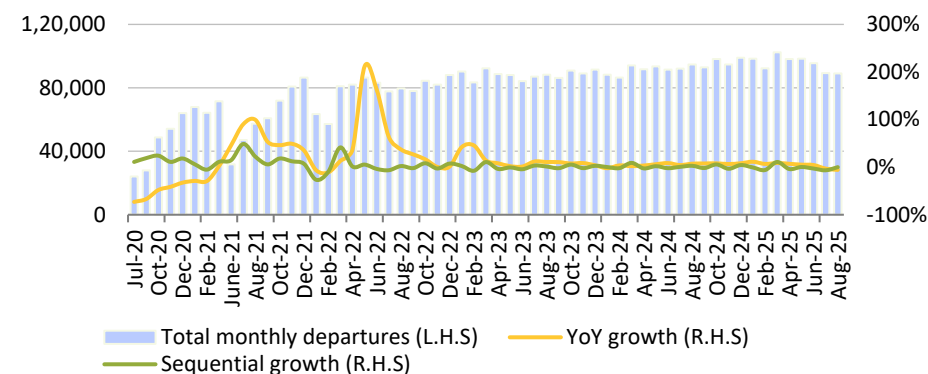
- **Industry's net losses to increase to Rs. 95-105 billion in FY2026** – ICRA expects the Indian aviation industry to report a net loss of Rs. 95-105 billion in FY2026, compared to an estimated net loss of around Rs. 55 billion in FY2025. Losses are set to increase principally due to a slowdown in passenger traffic growth amid a period of rising aircraft deliveries. The estimated net loss for FY2025 and the expected net loss for FY2026 have risen from ICRA's earlier estimates of Rs. 20-30 billion for both years, 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 more than 40 aircraft as on September 30, 2023, due to the P&W engine issue, increasing to 70 aircraft by March 31, 2024, owing to 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, representing 15-17% of the total industry fleet, thereby impacting overall industry capacity. This, however, 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 affect capacity availability and add to customer grievances. The impact of the aeroplane crash during June 2025 on Boeing's aircraft deliveries will be a key monitorable. Following the crash and other ongoing operational challenges, Air India 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: 0.3% YoY increase in August 2025

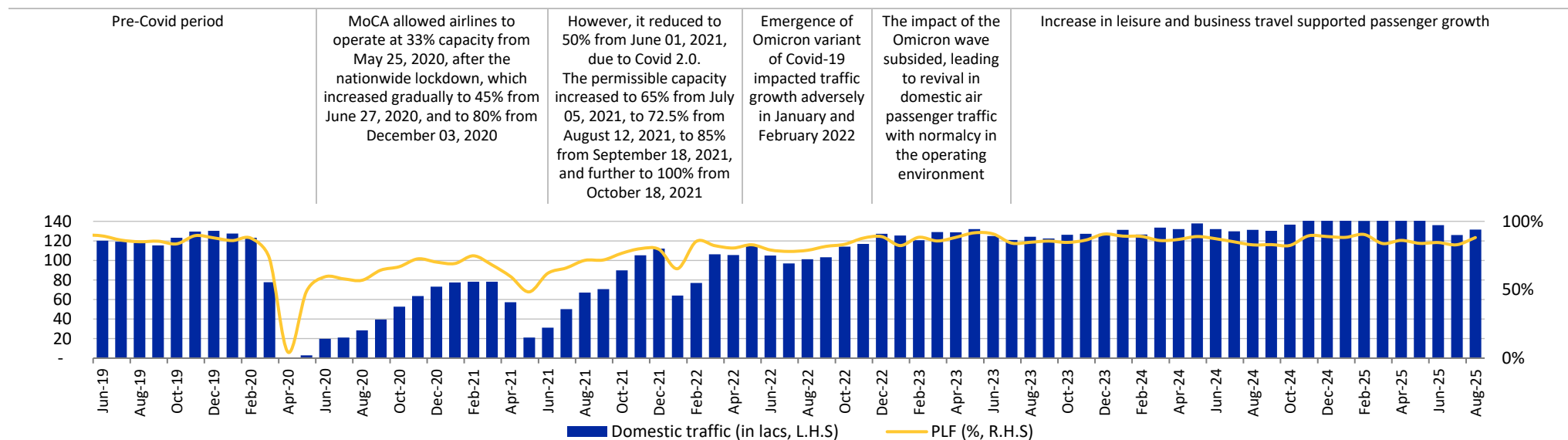
The capacity deployment for August 2025 was lower by 5.8% over August 2024 (around 89,184 departures in August 2025 against 94,682 in August 2024). The number of departures in August 2025 was largely flat on a sequential basis, continuing the downturn in June 2025 that was negatively influenced by persistent geopolitical tensions and diminished consumer confidence stemming from 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 and PLF

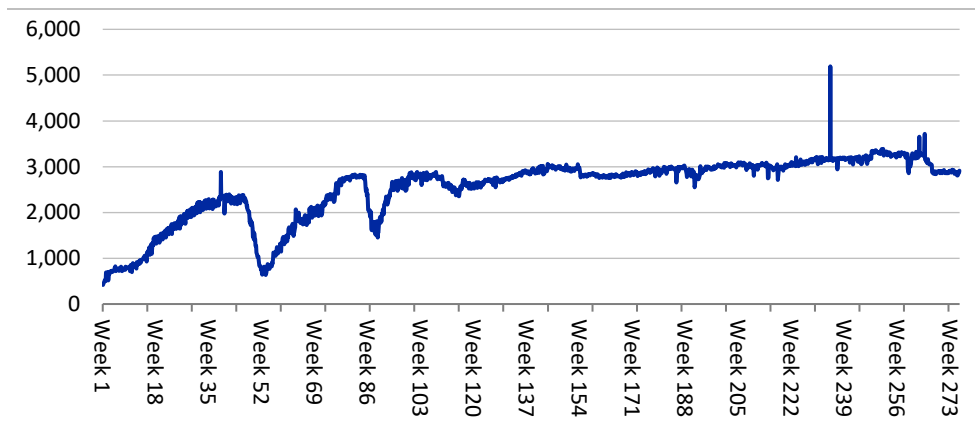


Source: MoCA, DGCA, ICRA Research

For August 2025, domestic air passenger traffic stood at 131.7 lakh against 131.3 lakh in August 2024, implying a 0.3% YoY increase. On a sequential basis, domestic air passenger traffic in August 2025 was higher by 4.5%. For 5M FY2026, domestic air passenger traffic was 677.5 lakh, reflecting a YoY growth of 2.2%.

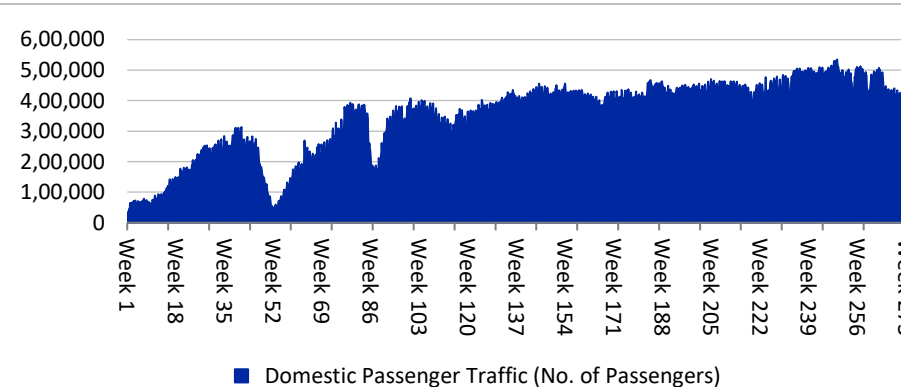
The highest single-day traffic of 535,343 was recorded on February 23, 2025, surpassing previous historic highs as passenger travel surged due to the Maha Kumbh event held in Prayagraj. For August 2025, the average daily departures were around 3,110, higher than around 3,054 in August 2024 and 2,878 in July 2025. At 137, the average number of passengers per flight in August 2025 was marginally lower than 139 in August 2024 and 141 in July 2025. It is estimated that the domestic aviation industry operated at a PLF of 88.2% in August 2025 compared to 82.8% in August 2024 and 82.9% in July 2025.

EXHIBIT 3: Daily domestic flight departures since May 25, 2020



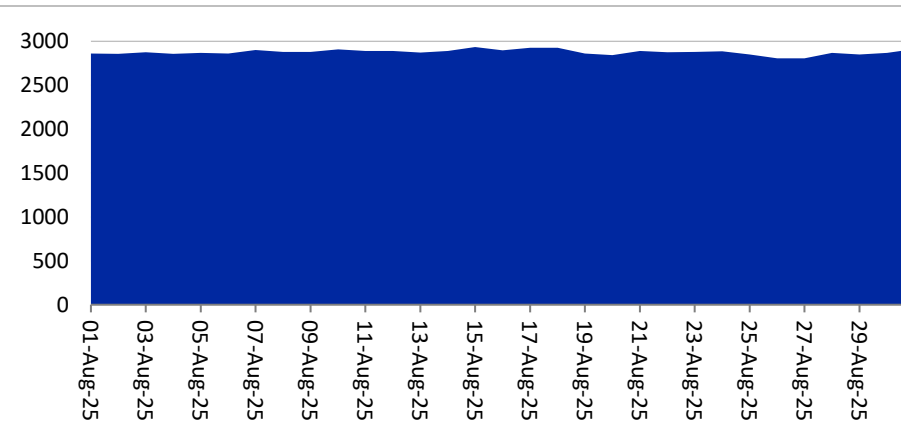
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

EXHIBIT 5: Daily domestic passenger traffic in August 2025

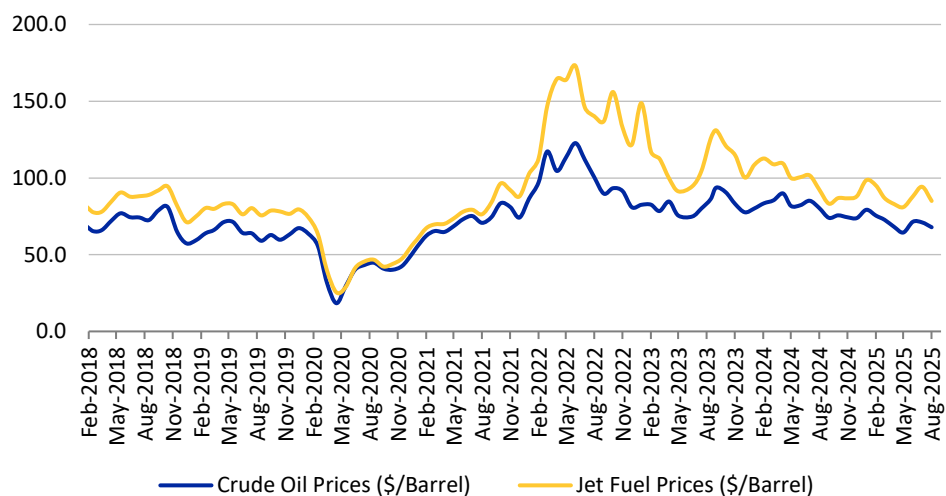


Source: MoCA, DGCA, ICRA Research

ATF prices: Lower in September 2025 by 2.9% YoY and 1.4% sequentially

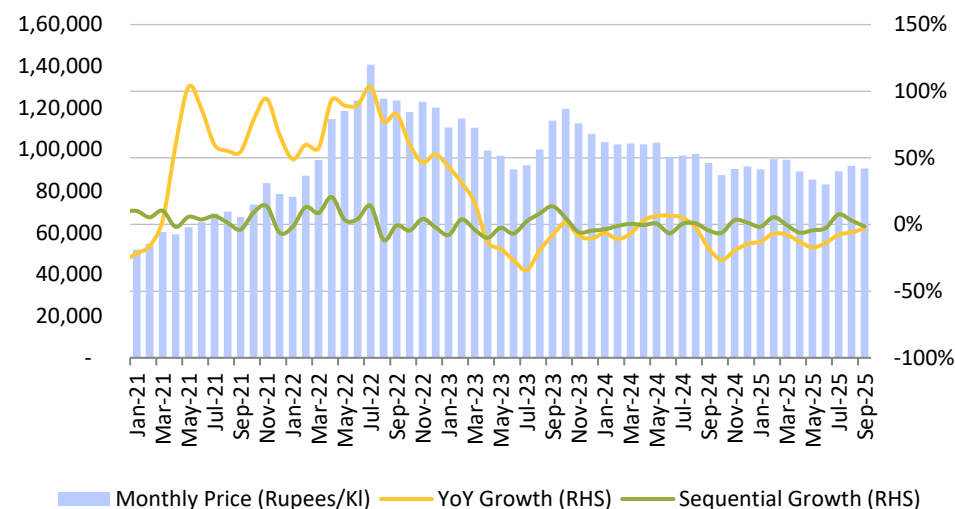
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest decline since Q4 CY2018). However, **prices increased gradually thereafter and are at around \$67/barrel at present**. Between April 2024 and March 2025, ATF prices were lower 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 September 2025. However, on a month-to-month basis, prices fell between April and June, before rising again in July and August 2025 and falling in September 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 airline companies (as on September 24, 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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