



## INDIAN AVIATION INDUSTRY

Domestic passenger traffic declined by a marginal 1% YoY in September 2025

---

### OCTOBER 2025

Jitin Makkar  
+91 124 4545 368  
jitinm@icraindia.com

Kinjal Shah  
+91 22 6114 3442  
kinjal.shah@craindia.com

Sakshi Suneja  
+91 22 6169 3349  
sakshi.suneja@icraindia.com

Karan Gupta  
+91 22 6169 3457  
karan.gupta@icraindia.com

Viren Jhunjunwala  
+91 22 6169 3328  
viren.jhunjunwala@icraindia.com



## BUSINESS OUTLOOK: STABLE



### Click to Provide Feedback

*ICRA expects the Indian aviation industry to report a net loss of Rs. 95-105 billion in FY2026.*

*Domestic air passenger traffic is projected to grow by 4-6% in FY2026, reaching 172–176 million passengers, following a 7.6% increase in FY2025 to 165.4 million passengers.*

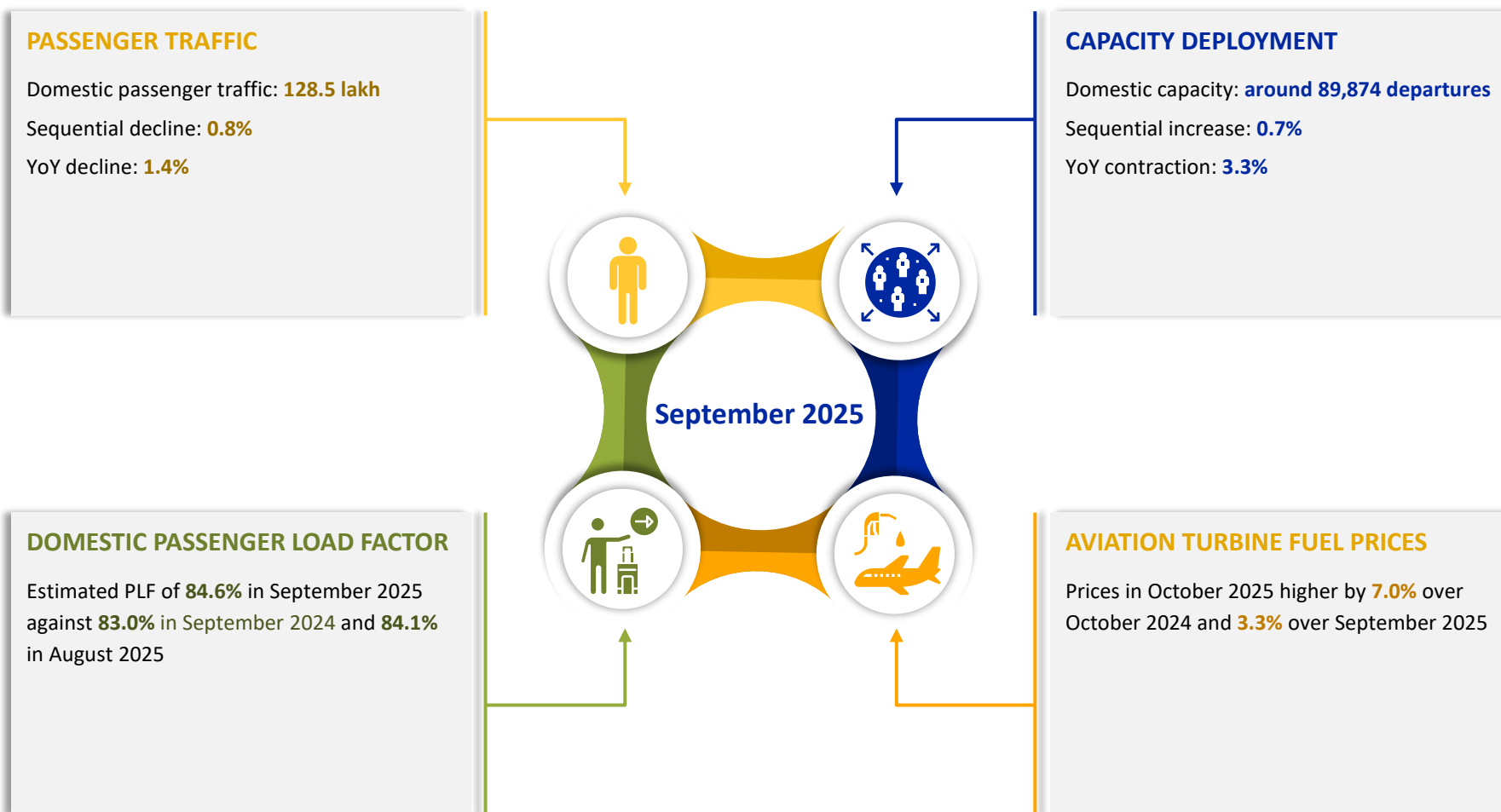
For September 2025, domestic air passenger traffic was estimated<sup>1</sup> at 128.5 lakh, 1.4% lower than 130.3 lakh in September 2024 and 0.8% lower than 129.5 lakh in August 2025. The airlines' capacity deployment in September 2025 was 3.3% lower than September 2024 and 0.7% higher than August 2025. For H1 FY2026 (April-September 2025), domestic air passenger traffic was 803.7 lakh, reflecting a YoY growth of 1.3%. For August 2025, international air passenger traffic for Indian carriers was 29.9 lakh, a YoY growth of 7.8% and 1.4% on a sequential basis on account of a recovery in air travel demand. For 5M FY2026 (April-August 2025), international air passenger traffic for Indian carriers stood at 147.3 lakh, a YoY growth of 9.7%.

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 the 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 its previous projections of 15-20%.
- ATF prices in October 2025 were higher by around 3.3% on a sequential basis** – The yield movement will remain monitorable due to its linkage with aviation turbine fuel (ATF) prices and the INR to USD exchange rate, 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, to October 1, 2025, have been lower by 8.0% YoY. The average ATF prices increased by 3.3% in October 2025 on a sequential basis and by 7.0% 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 share of aircraft and engine maintenance expenses are denominated in dollar terms. Also, some airlines have foreign currency debt. Although domestic airlines benefit from a partial natural hedge through earnings from international operations, they have net payables 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 over 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. Nonetheless, the expected losses are significantly lower than 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 growing 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 passenger load factor (PLFs), and partial compensation from engine original equipment manufacturers (OEMs) are helping absorb the impact to an extent. In FY2025, the industry also faced challenges related to the unavailability of pilots and cabin crew, resulting in several flight cancellations and delays. Following the crash and the heightened safety checks that followed, 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 continue to remain under pressure, despite some improvement seen in recent years.

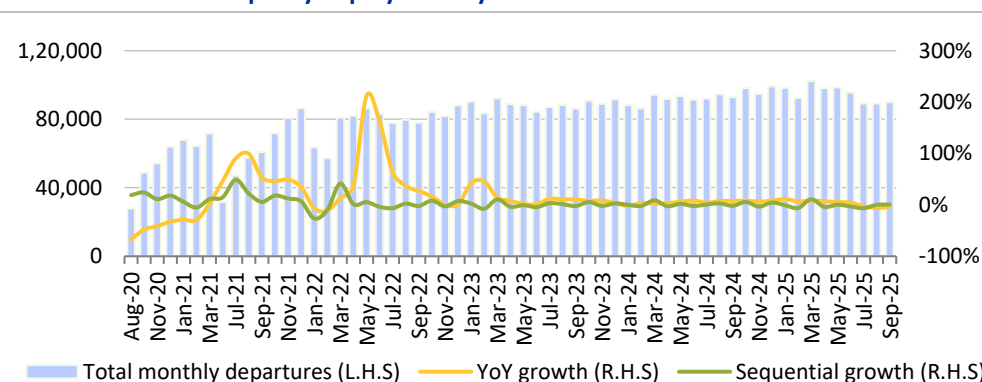
<sup>1</sup> As per estimates released by the Ministry of Civil Aviation



## Domestic air passenger traffic: 1.4% YoY decline in September 2025

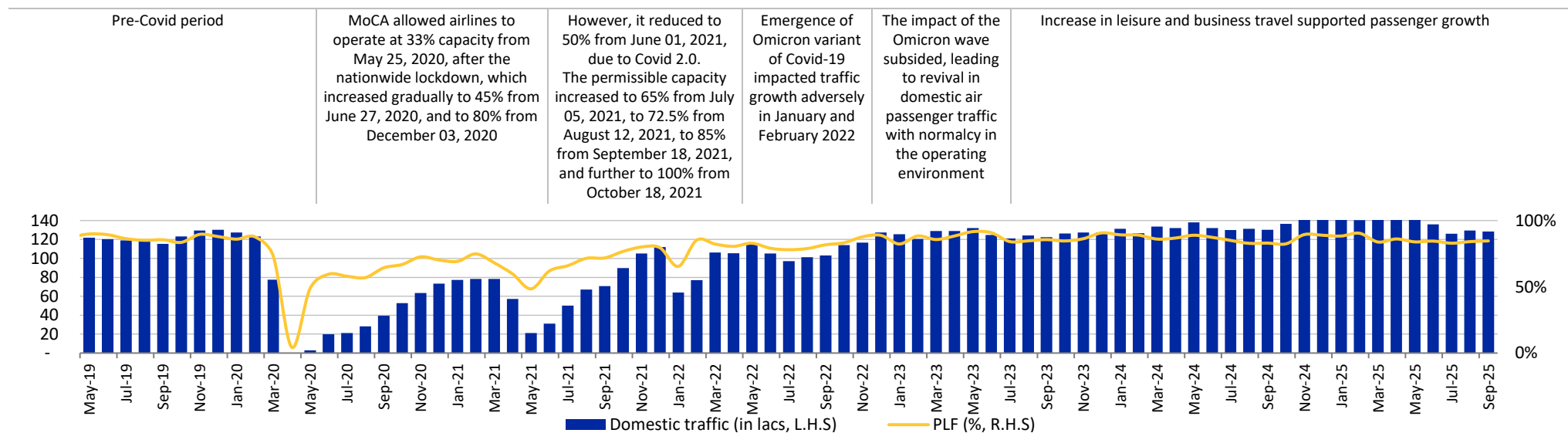
The capacity deployment for September 2025 was lower by 3.3% over September 2024 (around 89,874 departures in September 2025 against 92,912 in September 2024). The number of departures in September 2025 was higher month-on-month (MoM) by 0.7% on a sequential basis. For FY2025, capacity deployment was 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 and PLF**

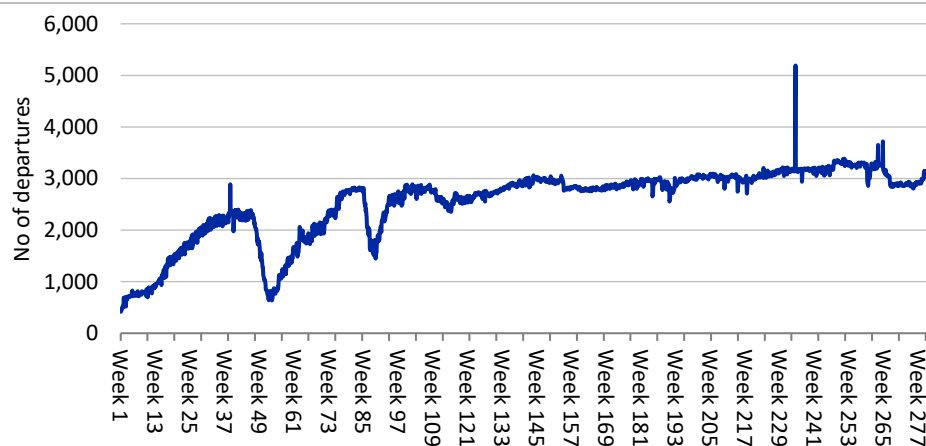


Source: MoCA, DGCA, ICRA Research

For September 2025, domestic air passenger traffic stood at 128.5 lakh against 130.3 lakh in September 2024, implying a 1.4% YoY decline. On a sequential basis, domestic air passenger traffic in September 2025 was lower by 0.8%. For H1 FY2026, domestic air passenger traffic was 803.7 lakh, reflecting a YoY growth of 1.3%.

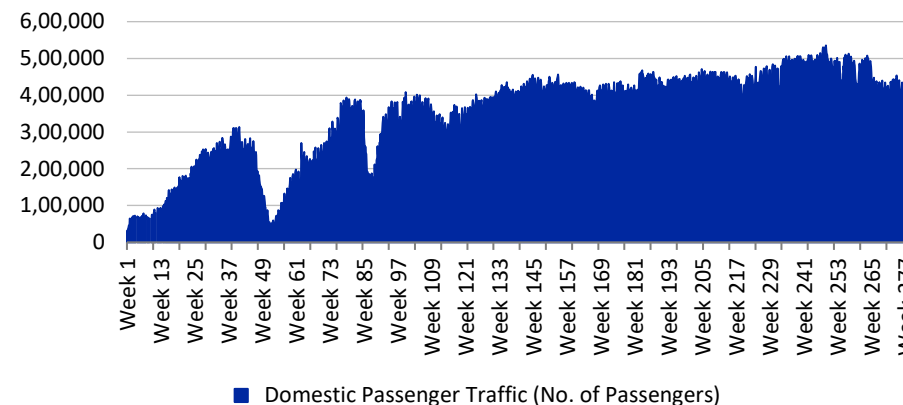
The highest single-day traffic of 535,343 was recorded on February 23, 2025, surpassing previous historic highs as passenger travel surged due to the Maha Kumbh event in Prayagraj. For September 2025, the average daily departures were around 2,899, lower than around 2,997 in September 2024 but higher than 2,879 in August 2025. At 143, the average number of passengers per flight in September 2025 was higher than 140 in September 2024 but marginally lower than 145 in August 2025. It is estimated that the domestic aviation industry operated at a PLF of 84.6% in September 2025 over 83.0% in September 2024 and 84.1% in August 2025.

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



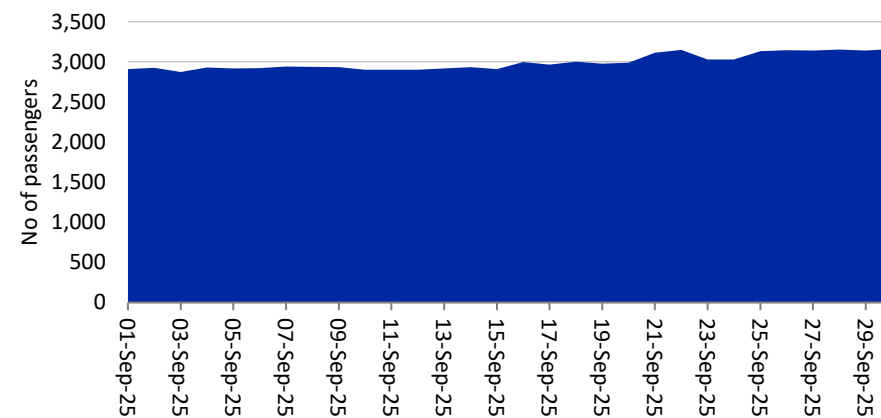
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

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

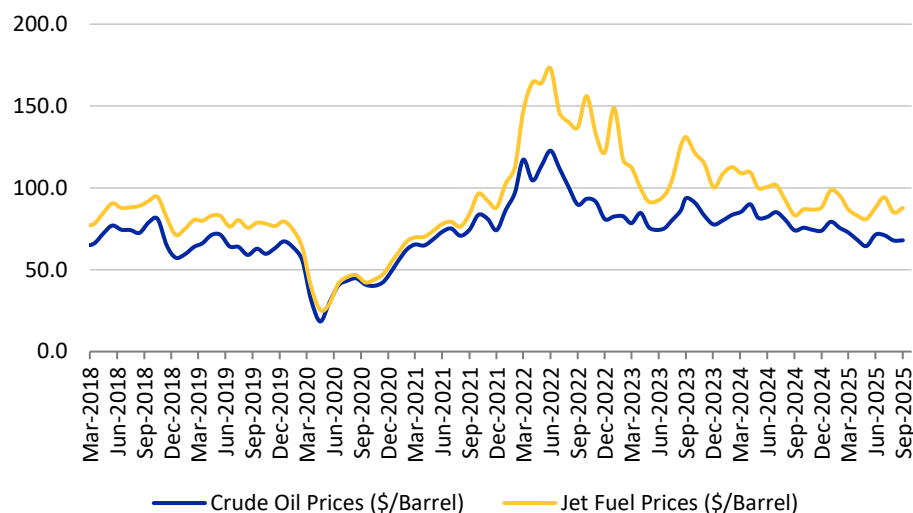


Source: MoCA, DGCA, ICRA Research

## ATF prices: Higher in October 2025 by 7.0% YoY and 3.3% sequentially

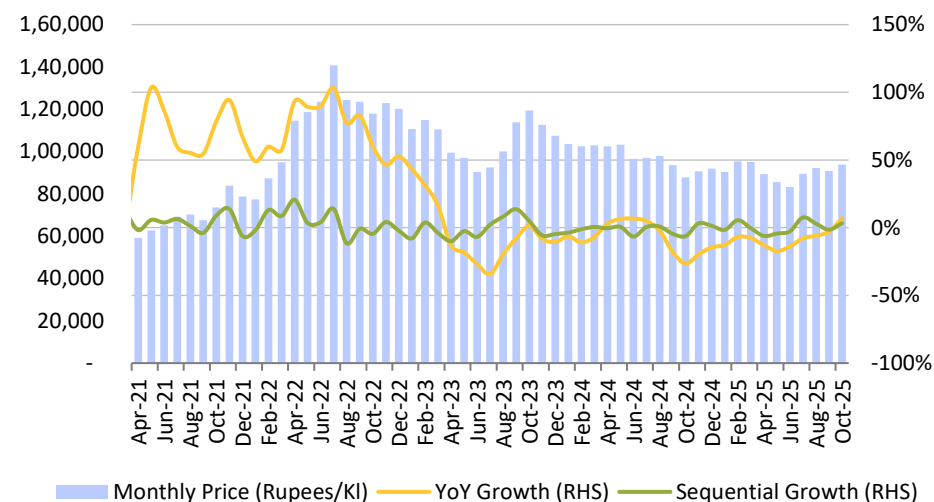
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest decline since Q4 CY2018). However, **prices have increased gradually thereafter and are at around \$64/barrel at present**. Between April 2024 and March 2025, ATF prices were 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 MoM basis, prices fell between April and June 2025, before rising again in July and August 2025 and falling in September 2025. In October 2025, prices rose both on a YoY and a MoM 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 airline companies (as on October 27, 2025)

Company Name	Rating Outstanding	Last Rating Action
<b>Interglobe Aviation Limited</b>	[ICRA]AA (Stable) / [ICRA]A1+	Long-term rating upgraded and short-term rating reaffirmed
<b>SNV Aviation Private Limited (d.b.a Akasa Air)</b>	[ICRA]BBB- (Stable) / [ICRA]A3	Rating assigned

Source: ICRA Research



[Click to Provide Feedback](#)

## 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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

### **Alliance with Moody's Investors Service**

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

### **The ICRA Factor**

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- 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.

## Business Contacts

### L Shivakumar

Chief Business Officer  
E-mail: shivakumar@icraindia.com  
022-61693304

### Sai Krishna

Head - Research Sales and Investor Connect  
E-mail: sai.krishna1@icraindia.com  
9840774883

### Rohit Gupta

Head Business Development – Infrastructure Sector  
E-mail: rohitg@icraindia.com  
0124-4545340

### Vivek Bhalla

Head Business Development – Financial Sector  
E-mail: vivek.bhalla@icraindia.com  
022-61693372

### Vinita Baid

Head Business Development – East  
E-mail: vinita.baid@icraindia.com  
033-65216801

### Shivam Bhatia

Head Business Development –  
Corporate Sector – North & South  
E-mail: shivam.bhatia@icraindia.com  
0124-4545803

### Sanket Kulkarni

Head Business Development –  
Corporate Sector – West  
E-mail: sanket.kulkarni@icraindia.com  
022-6169 3365

## Media and Public Relations

### Naznin Prodhani

Head - Group Corporate Communications & Media Relations  
E-mail: communications@icraindia.com  
0124-4545860

## Registered Office

B-710, Statesman House 148,  
Barakhamba Road  
New Delhi-110001  
Tel: +91 11 23357940-45

## Corporate Office

Building No. 8, 2nd Floor,  
Tower A, DLF Cyber City, Phase II,  
Gurgaon - 122 002  
Tel: +91-124-4545300

## Ahmedabad

1809-1811, Shapath V,  
Opp: Karnavati Club,  
S.G.Highway, Ahmedabad - 380015  
Tel: +91 79 4027 1500/501

## Bengaluru 1

'The Millenia', Tower B Unit No. 1004,  
10th Floor, 1 & 2 Murphy Road,  
Bengaluru - 560 008  
Tel: +91 80 4332 6400

## Bengaluru 2

2nd Floor, Vayudooth Chamber  
15-16, Trinity Circle, M.G. Road,  
Bengaluru - 560 001  
Tel: +91 80 4922 5500

## Chennai

5th Floor, Karumuttu Centre  
634, Anna Salai, Nandanam  
Chennai - 600 035  
Tel: +91 44 4596 4300

## Hyderabad

Unit No 1006, 10th Floor, Gowra  
Fountain Head, Patrika Nagar,  
Madhapur, High-Tech City,  
Hyderabad, Telangana – 500081  
Tel: +91 040-69396464

## Kolkata

Siddha Esplanade, 3rd Floor,  
6 Jawaharlal Nehru Road,  
Esplanade, Kolkata,  
West Bengal - 700013  
Tel: +91 33 6521 6800

## Mumbai

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg,  
Prabhadevi,  
Mumbai - 400 025  
Tel: +91 22 6169 3300

## Pune

5A, 5th Floor, Symphony, S. No. 210  
CTS 3202 Range Hills Road,  
Shivajinagar, Pune - 411 020  
Tel: +91 20 2556 1194

**Email:** [Info@icraindia.com](mailto:Info@icraindia.com)

**Helpdesk:** 9354738909

**Website:** [www.icra.in/](http://www.icra.in/) [www.lcraesearch.in](http://www.lcraesearch.in)