



## INDIAN AVIATION INDUSTRY

**Domestic passenger traffic increased by  
5% YoY in October 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 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 October 2025, domestic air passenger traffic was estimated<sup>1</sup> at 142.8 lakh, 4.5% higher than 136.6 lakh in October 2024 and 12.9% higher than 126.4 lakh in September 2025. The airlines' capacity deployment in October 2025 was 1.7% higher than October 2024 and 10.8% higher than September 2025. For 7M FY2026 (April- October 2025), domestic air passenger traffic remained at 944.5 lakh, reflecting a YoY growth of 1.6%. For September 2025, international air passenger traffic for Indian carriers was 28.3 lakh, indicating a YoY growth of 5.8% and a sequential decline of 5.7%. For H1 FY2026 (April-September 2025), international air passenger traffic for Indian carriers stood at 175.6 lakh, a YoY growth of 9.1%.

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 closer to the lower bound of 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 at 4-6%. The growth could have been higher but for events like cross-border escalations (that had led to flight disruptions and cancellations earlier during the year) and the aircraft accident tragedy in June 2025 that increased travel hesitancy at least in the period immediately post the accident. 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. Likewise, the Air Traffic Control (ATC)-related disruptions seen in the ongoing month of November 2025, leading to flight cancellations, would be an additional (although milder) growth dampener. As for international air passenger traffic growth for Indian carriers, ICRA projects this be in the range of 13-15% in FY2026.
- **ATF prices in November 2025 were higher by around 0.8% 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 November 1, 2025, have been lower by 6.5% YoY. The average ATF prices increased by 0.8% in November 2025 on a sequential basis and by 4.4% 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 substantial 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. In fact, the weakening of the INR against the USD in Q2 FY2026 resulted in airlines reporting large forex losses in Q2 FY2026, although a large proportion of these losses are unrealised.

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

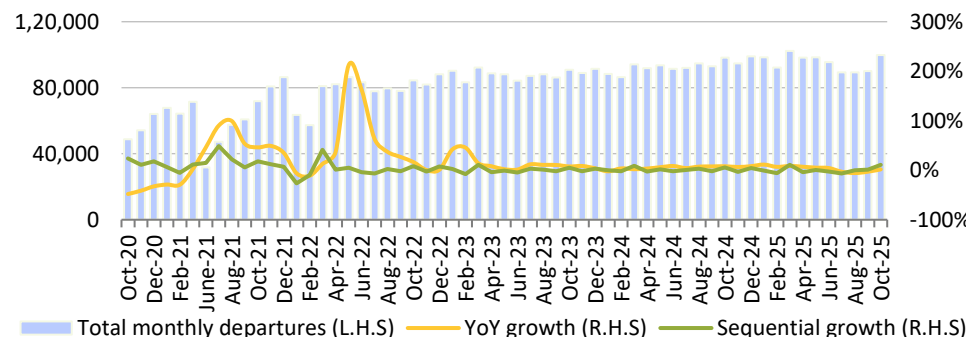
- **Industry's net losses to increase to Rs. 95-105 billion in FY2026** – ICRA expects the Indian aviation industry to report a net loss of Rs. 95-105 billion in FY2026 over an estimated net loss of around Rs. 55 billion in FY2025. Losses are set to increase principally due to a slowdown in passenger 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, owing to the P&W engine issue, which later increased 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. Nevertheless, the number of grounded aircraft reduced to around 40 as of September 2025 for IndiGo and is expected to remain at similar levels till the end of the year. 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 affecting the overall industry capacity. This, however, improved from 20-22% of the total industry fleet grounded as on September 30, 2023. The aircraft-on-ground situation has resulted in growing operating expenses owing to the cost of grounding, higher lease rentals on account of 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 to 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 assistance from strong parent companies, supporting their credit profiles, the credit metrics and liquidity profiles of others continue to remain under pressure, despite some improvement in recent years.
- **Other developments** – The DGCA has proposed new guidelines to make ticket cancellations and fair refunds more passenger-friendly wherein passengers will be allowed to cancel or amend the tickets for 48 hours after booking without incurring any additional fees for flights departing after 5 days from the date of booking for domestic flights and after 15 days from the date of booking for international flights. Further, all refunds are proposed to be completed within 21 working days.



## Domestic air passenger traffic: 4.5% YoY increase in October 2025

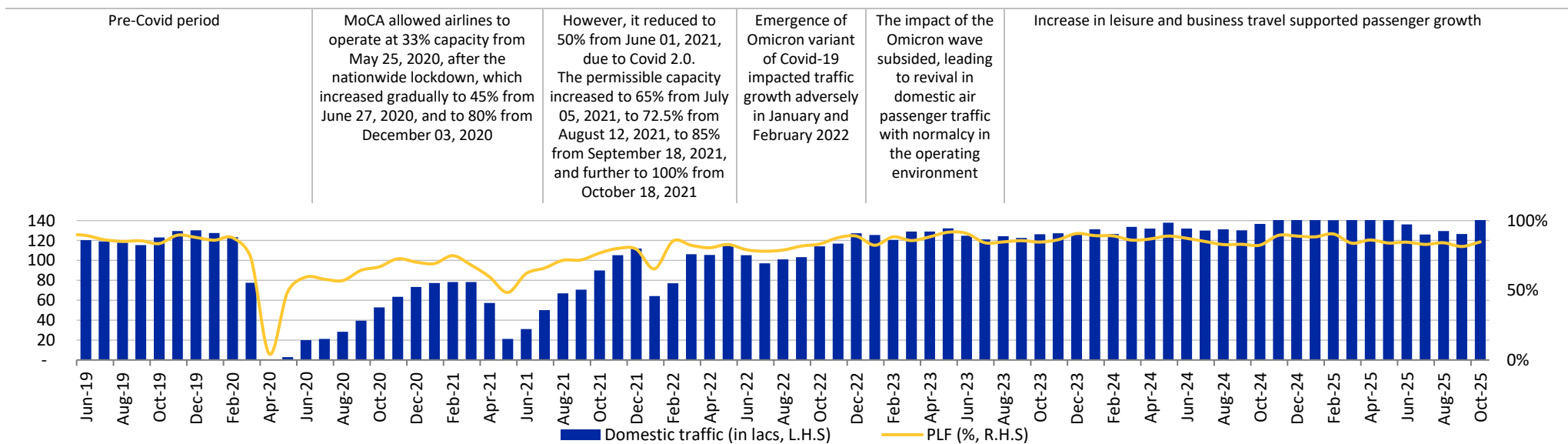
The capacity deployment for October 2025 was higher by 1.7% over October 2024 (around 99,816 departures in October 2025 against 98,186 in October 2024). The number of departures in October 2025 was higher month-on-month (MoM) by 10.8% on a sequential basis. For FY2025, the capacity deployment was 7.3% 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**

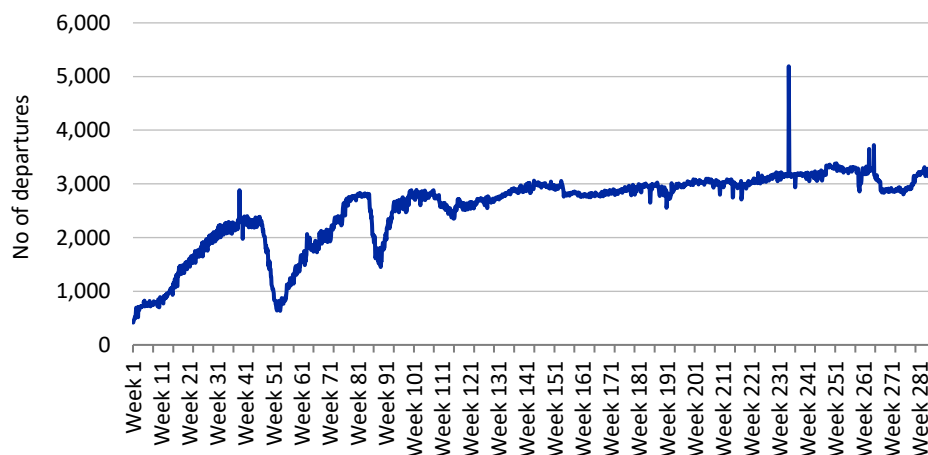


Source: MoCA, DGCA, ICRA Research

For October 2025, domestic air passenger traffic stood at 142.8 lakh against 136.6 lakh in October 2024, implying a 4.5% YoY growth. On a sequential basis, domestic air passenger traffic in October 2025 was higher by 12.9%. For 7M FY2026 (April 2025 to October 2025), domestic air passenger traffic was at 944.5 lakh, reflecting a YoY growth of 1.6%.

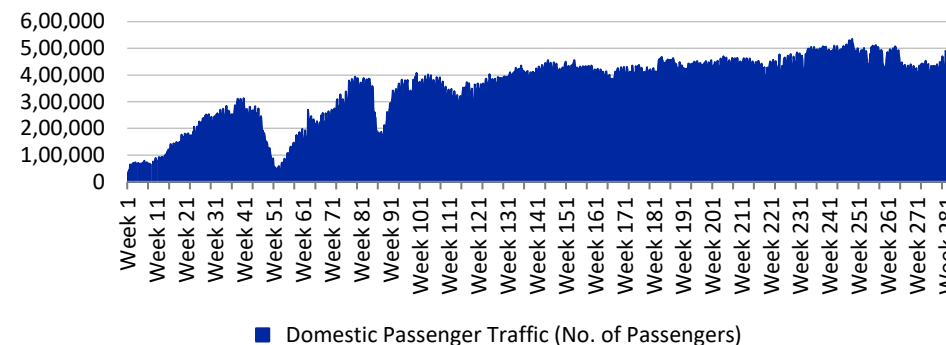
The highest single-day traffic of 5,35,343 was recorded on February 23, 2025, surpassing the previous historic levels as passenger travel surged due to the Maha Kumbh event in Prayagraj. For October 2025, the average daily departures were around 3,220, higher than around 3,167 in October 2024 and around 3,004 in September 2025. The average number of passengers per flight remained at 143 in October 2025, which was higher than 139 in October 2024 and 140 in September 2025. It is estimated that the domestic aviation industry operated at a PLF of 84.7% in October 2025 over 82.4% in October 2024 and 81.4% in September 2025.

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



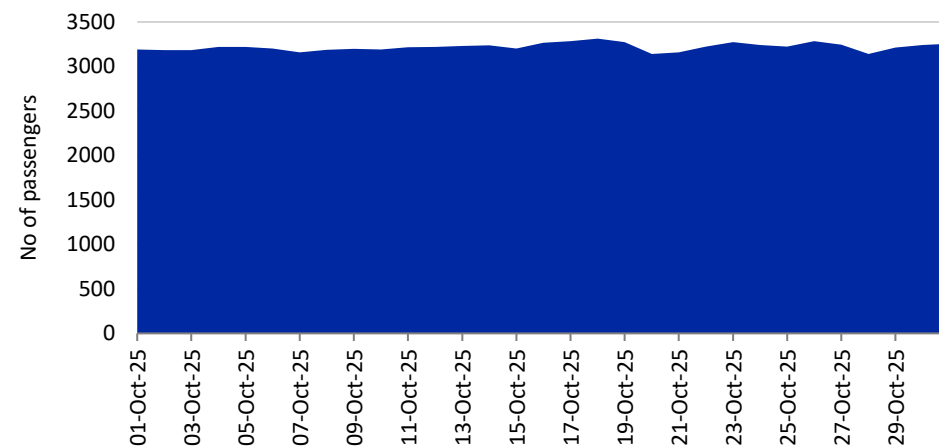
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

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

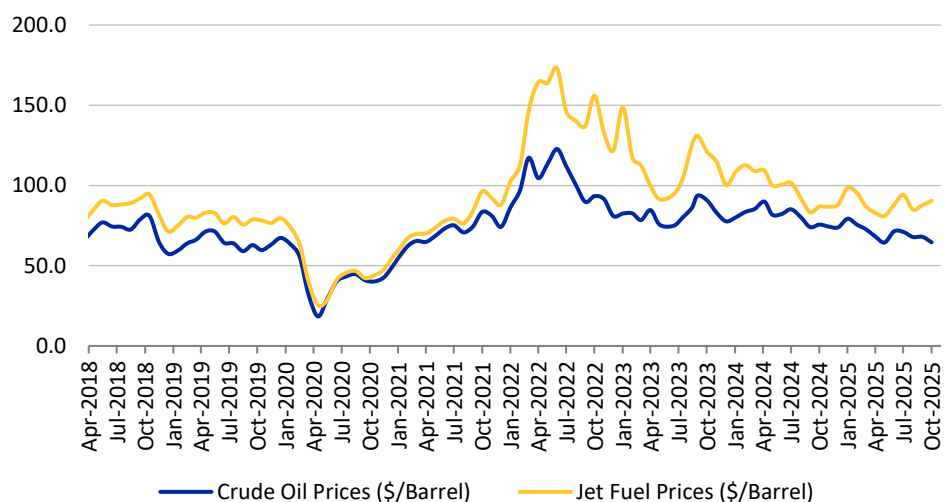


Source: MoCA, DGCA, ICRA Research

## ATF prices rose by 4.4% YoY and 0.8% sequentially in November 2025

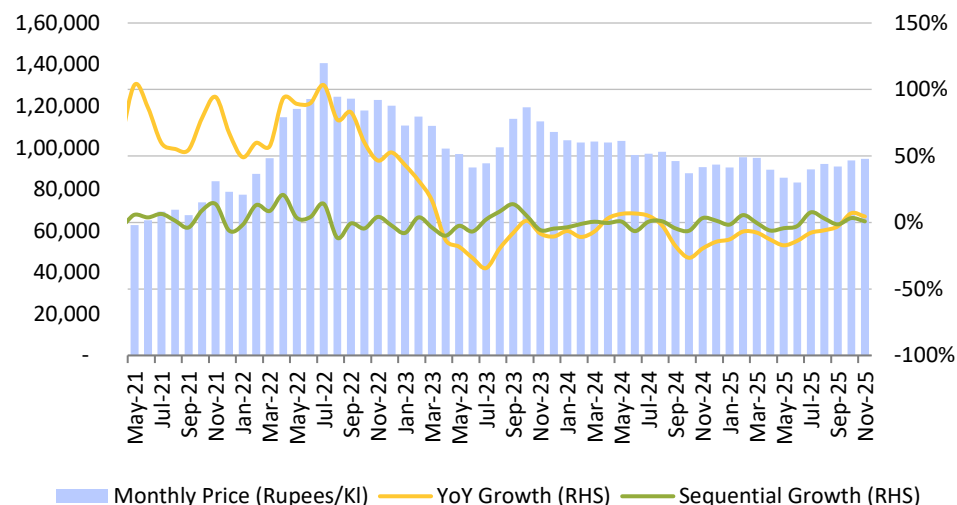
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest dip since Q4 CY2018). However, **prices have increased gradually thereafter and are at around \$64/barrel at present**. Between April 2024 and March 2025, ATF prices were lower 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 reduction each month from April to September 2025. However, on a MoM basis, prices fell during April to June 2025, before rising again in July and August 2025 and falling in September 2025. In October 2025 and November 2025, prices rose both on a YoY and 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 November 17, 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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- 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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