



## INDIAN AVIATION INDUSTRY

**Domestic air passenger traffic increased by 8% YoY in November 2025; expected to decline in December 2025 due to disruptions witnessed by IndiGo**

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### December 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. 170-180 billion in FY2026, higher than its earlier forecast of Rs. 95-105 billion.*

*ICRA has revised its growth forecasts for domestic air passenger traffic in FY2026 to 0-3%, reaching 165-169 million, against the earlier projection of 4-6%*

For November 2025, domestic air passenger traffic was estimated<sup>1</sup> at 154.5 lakh, 8.4% higher than 142.5 lakh in November 2024 and 10.1% higher than 140.3 lakh in October 2025. The airlines' capacity deployment in November 2025 was 4.6% higher than November 2024 and remained flattish compared to October 2025. For 8M FY2026 (April-November 2025), domestic air passenger traffic was 1,096.5 lakh, reflecting a YoY growth of 2.2%. For October 2025, international air passenger traffic for Indian carriers was 29.9 lakh, indicating a YoY growth of 8.3% and a sequential growth of 6.0%. For 7M FY2026 (April-October 2025), international air passenger traffic for Indian carriers stood at 205.5 lakh, a YoY growth of 9.0%.

For FY2025 (April 2024–March 2025), domestic air passenger traffic stood at around 1,653.8 lakh, a YoY growth of 7.6%. Further, for FY2025, international passenger traffic for Indian carriers stood at 338.6 lakh, a YoY growth of 14.1%.

- **Stable outlook on the Indian aviation industry** – ICRA has revised its forecast for domestic air passenger traffic growth to 0-3% in FY2026 against its earlier projection of 4-6%. This revision reflects 1) a slower-than-expected traffic growth in 8M FY2026 (April-November 2025) with a YoY growth of 2.2%, which was impacted by cross-border escalations (that led to flight disruptions and cancellations earlier during the year); the aircraft accident tragedy in June 2025 that made travellers hesitant at least during the period immediately post the accident; and the impact on business travel owing to the headwinds stemming from US tariffs; and 2) the impact of operational disruptions at IndiGo from December 3, 2025 to December 8, 2025, leading to around 4,500 flight cancellations. While the IndiGo flight cancellations accounted for only about 0.4% of the total annual industry departures, ICRA expects the travel sentiments to dampen in the aftermath of the IndiGo episode. However, ICRA has maintained its Stable outlook on the industry as these disruptions are expected to be temporary, with ICRA's growth forecast for FY2027 remaining unchanged at 6-8%, although the low base of FY2026 would mean lower-than-earlier projected domestic air passenger traffic (175-182 million in FY2027 as per revised forecasts, against 179-186 million projected earlier).

ICRA has also revised its international air passenger traffic growth forecast for Indian carriers for FY2026 to 7-9% from its earlier projection of 13-15%.

- **ATF prices in December 2025 were higher by around 5.3% 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 December 1, 2025, have been lower by 4.9% YoY. However, the average ATF prices increased by 5.3% in December 2025 on a sequential basis and by 8.5% on a YoY basis. Fuel costs account for 30-40% of airlines' operating expenses, including aircraft lease payments. Further, 35-50% of the operating expenses, fuel expenses and a substantial share of aircraft and engine maintenance costs are denominated in dollar terms. Also, some airlines have foreign currency debt. Although domestic airlines benefit from a partial

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

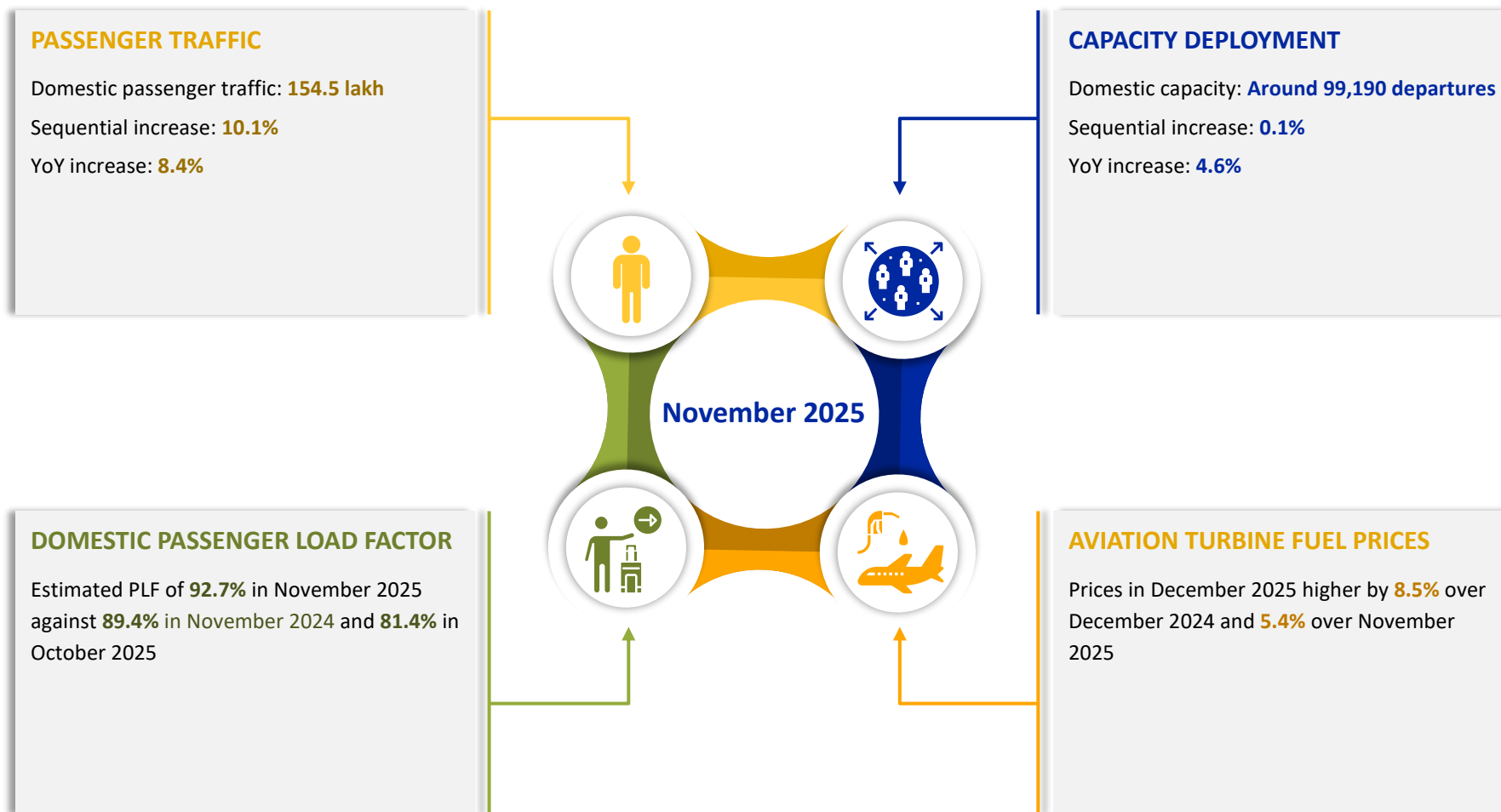
natural hedge through earnings from international operations, they have net payables in foreign currency. The weakening of the INR against the USD in Q2 FY2026 resulted in airlines reporting large forex losses in Q2 FY2026, although a large proportion of these losses are unrealised. Additionally, as the INR continues to depreciate in Q3 FY2026, airlines are likely to face further foreign exchange losses.

- **Industry's net losses to increase to Rs. 170-180 billion in FY2026** – ICRA has also revised its net loss forecast for the Indian aviation industry in FY2026 to Rs. 170-180 billion, higher than its earlier expectations of net loss of Rs. 95-105 billion for the year (against net loss of Rs. 56 billion in FY2025). The primary contributor to this larger deficit is IndiGo's elevated losses, stemming from the financial impact of flight cancellations, passenger refunds and higher operating expenses due to the operational disruptions experienced in the first week of December 2025. The weakening of the INR against the USD in Q2 FY2026 also resulted in airlines reporting large forex losses in Q2 FY2026, although a large proportion of these losses are unrealised. Additionally, as the INR continued to depreciate in Q3 FY2026, airlines are likely to face further foreign exchange losses, impacting the overall net loss. The losses are also set to increase due to a slowdown in passenger traffic growth amid a period of rising aircraft deliveries. The industry's interest coverage ratio is projected to be at 0.7-0.9 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. 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 (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-bodied aircraft.

During the first week of December 2025, IndiGo experienced major operational disruptions, causing the flight cancellations to peak on December 5, 2025, when around 1,600 flights were cancelled, representing around 70% of its total daily flights. These problems were primarily triggered by the implementation of stricter flight duty time limitation (FDTL) regulations, especially tougher rules on night

duties and landings, alongside adverse weather and technical challenges. IndiGo's reliance on high aircraft utilisation and extensive night-time operations left it with limited flexibility, making it more vulnerable than its competitors. The immediate impact was a sharp drop in on-time performance and widespread inconvenience for thousands of passengers, dampening domestic air passenger traffic growth. Other factors such as winter schedule enhancements, air traffic congestion, technical snags and adverse weather conditions on some routes have posed further challenges for the industry during the month. ICRA, thus, expects domestic air passenger traffic in December 2025 to contract on a YoY as well as sequential basis. The Directorate General of Civil Aviation (DGCA) has granted IndiGo temporary relief from the new regulations until February 10, 2026, allowing partial recovery.

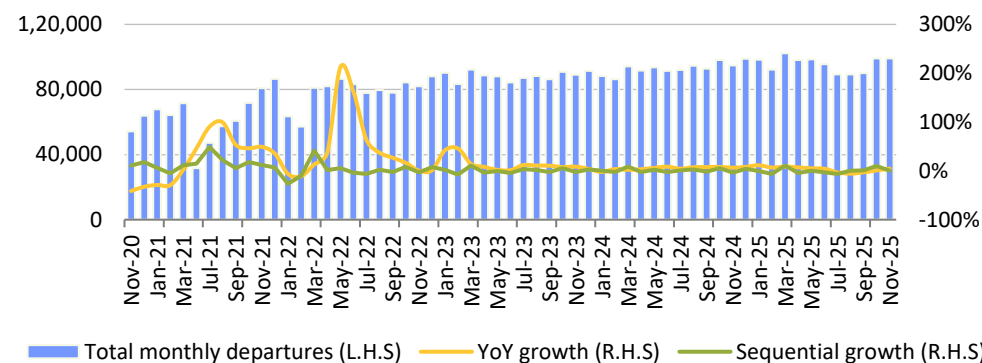
- **Select airlines face financial challenges, stretched liquidity issues** – While some airlines have adequate liquidity and/or financial assistance from strong parent companies, supporting their credit profiles, the credit metrics and liquidity profiles of others continue to remain under pressure, despite some improvement in recent years.



## Domestic air passenger traffic: 8.4% YoY increase in November 2025

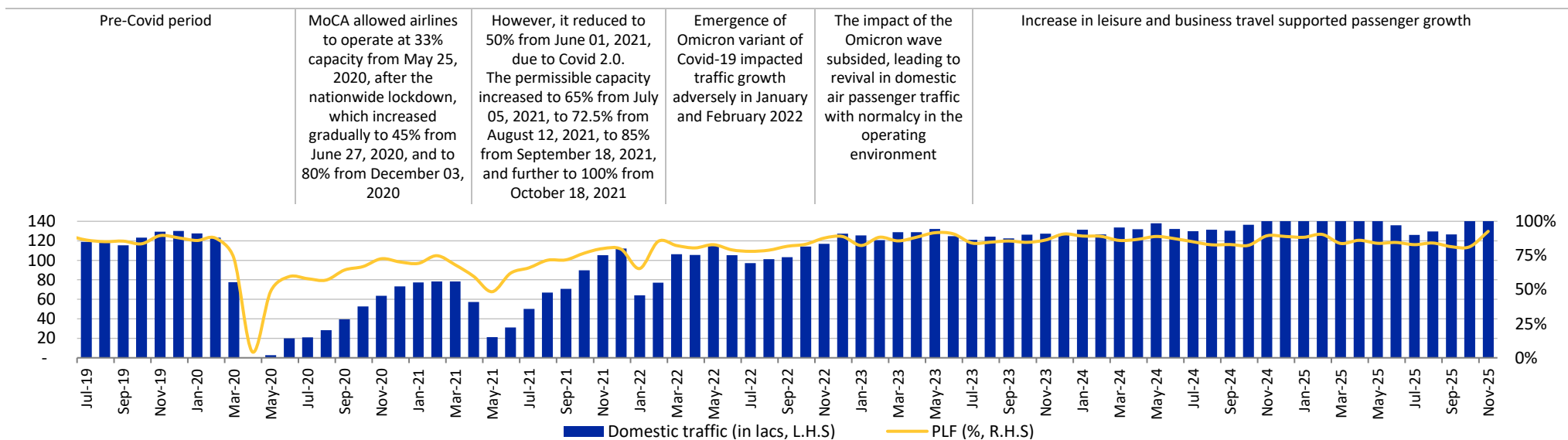
The capacity deployment for November 2025 was higher by 4.6% over November 2024 (around 99,190 departures in November 2025 against 94,818 in November 2024). The number of departures in November 2025 were flattish on a month-on-month (MoM) basis. For FY2025, the capacity deployment was 7.3% higher on a YoY basis.

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



Source: MoCA, DGCA, ICRA Research

**Exhibit 2: Domestic passenger growth and PLF**

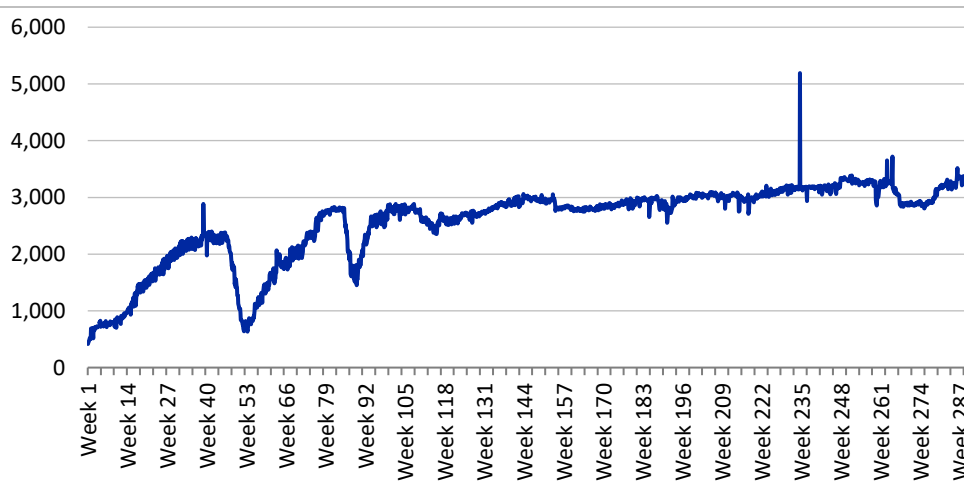


Source: MoCA, DGCA, ICRA Research

For November 2025, domestic air passenger traffic stood at 154.5 lakh against 142.5 lakh in November 2024, implying a 8.4% YoY growth. On a sequential basis, domestic air passenger traffic in November 2025 was higher by 10.1%. For 8M FY2026 (April 2025 to November 2025), domestic air passenger traffic was at 1,096.5 lakh, reflecting a YoY growth of 2.2%.

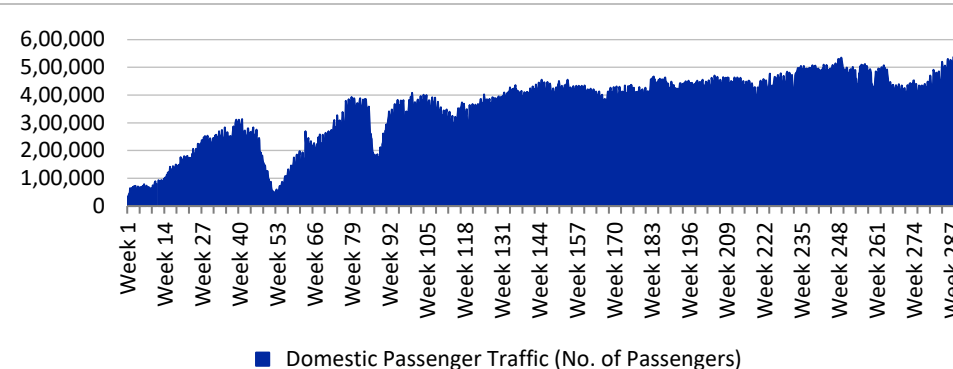
The highest single-day traffic of 538,429 was recorded on November 23, 2025, surpassing the previous historic levels as passenger travel surged. For November 2025, the average daily departures were around 3,306, higher than around 3,161 in November 2024 and around 3,198 in October 2025. The average number of passengers per flight was 156 in November 2025, higher than 150 in November 2024 and 142 in October 2025. It is estimated that the domestic aviation industry operated at a PLF of 92.7% in November 2025 over 89.4% in November 2024 and 81.4% in October 2025.

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



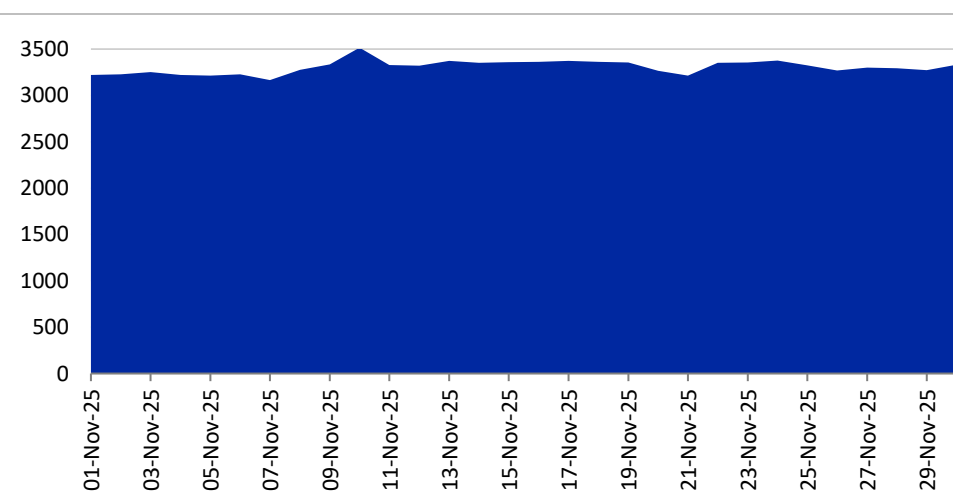
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

**Exhibit 5: Daily domestic passenger traffic in November 2025**

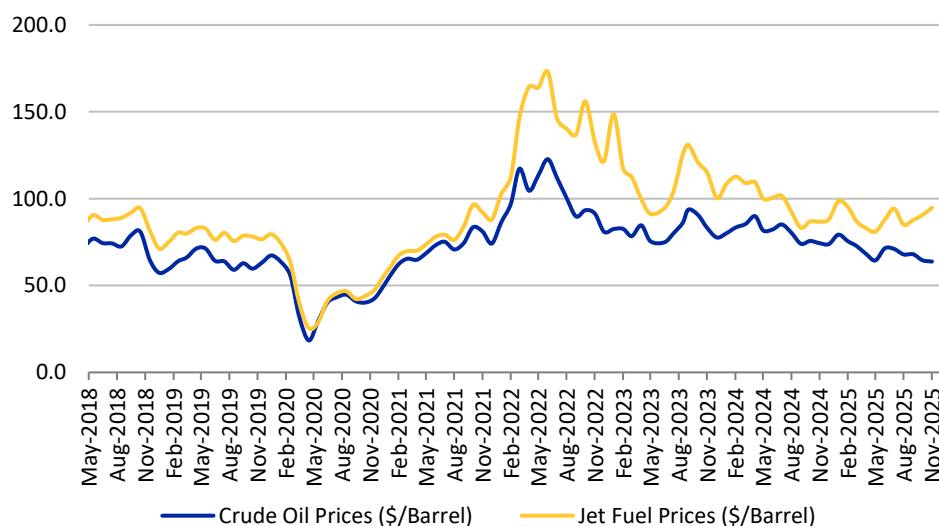


Source: MoCA, DGCA, ICRA Research

## ATF prices rose by 8.5% YoY and 5.3% sequentially in December 2025

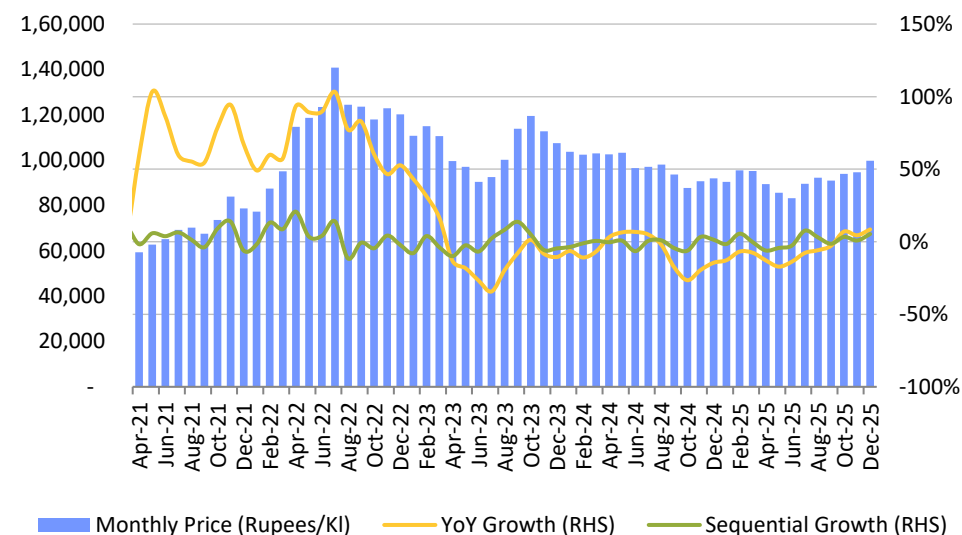
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest dip since Q4 CY2018). However, the **prices have increased gradually thereafter and are at around \$61/barrel at present**. Between April 2024 and March 2025, ATF prices were 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, November 2025 and December 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 December 29, 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



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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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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.

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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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