



## INDIAN AVIATION INDUSTRY

Domestic air passenger traffic declined by 4% YoY in December 2025 owing to disruptions witnessed by IndiGo

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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 Jhunjhunwala  
+91 22 6169 3328  
viren.jhunjhunwala@icraindia.com

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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.*

*ICRA forecasts the domestic air passenger traffic in FY2026 to grow by 0-3%, reaching 165-170 million.*

For December 2025, domestic air passenger traffic was estimated<sup>1</sup> at 143.4 lakh, 3.9% lower than 149.3 lakh in December 2024 and 5.9% lower than 152.4 lakh in November 2025. The airlines' capacity deployment in December 2025 was 7.3% lower than December 2024 and 7.6% lower compared to November 2025. For 9M FY2026 (April-December 2025), domestic air passenger traffic was 1,237.8 lakh, reflecting a year-over year (YoY) growth of 1.3%. For November 2025, international air passenger traffic for Indian carriers was 30.8 lakh, indicating a YoY growth of 9.3% and a sequential growth of 2.7%. For 8M FY2026 (April-November 2025), international air passenger traffic for Indian carriers stood at 236.3 lakh, a YoY growth of 9.0%.

For FY2025 (April 2024–March 2025), domestic air passenger traffic stood at 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's outlook on the Indian aviation industry is Stable, driven by anticipation of modest growth in domestic air passenger traffic in FY2026. In December 2025, ICRA had revised its forecasts for the domestic air passenger traffic growth in FY2026 to 0-3%, reaching 165-170 million, lower than its previous expectations of 4-6% on a YoY basis. This is attributed to 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; the impact on business travel owing to the headwinds stemming from US tariffs; and the impact of operational disruptions at IndiGo from December 3, 2025 to December 8, 2025, resulting in around 4,500 flight cancellations. However, ICRA 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 had 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 January 2026 were lower by around 7.2% 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 January 1, 2026, have been lower by 4.2% YoY. The average ATF prices declined by 7.2% in January 2026 on a sequential basis but increased by 2.2% 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, which include 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 natural hedge through earnings from international operations, they have net payables in foreign currency. The weakening

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

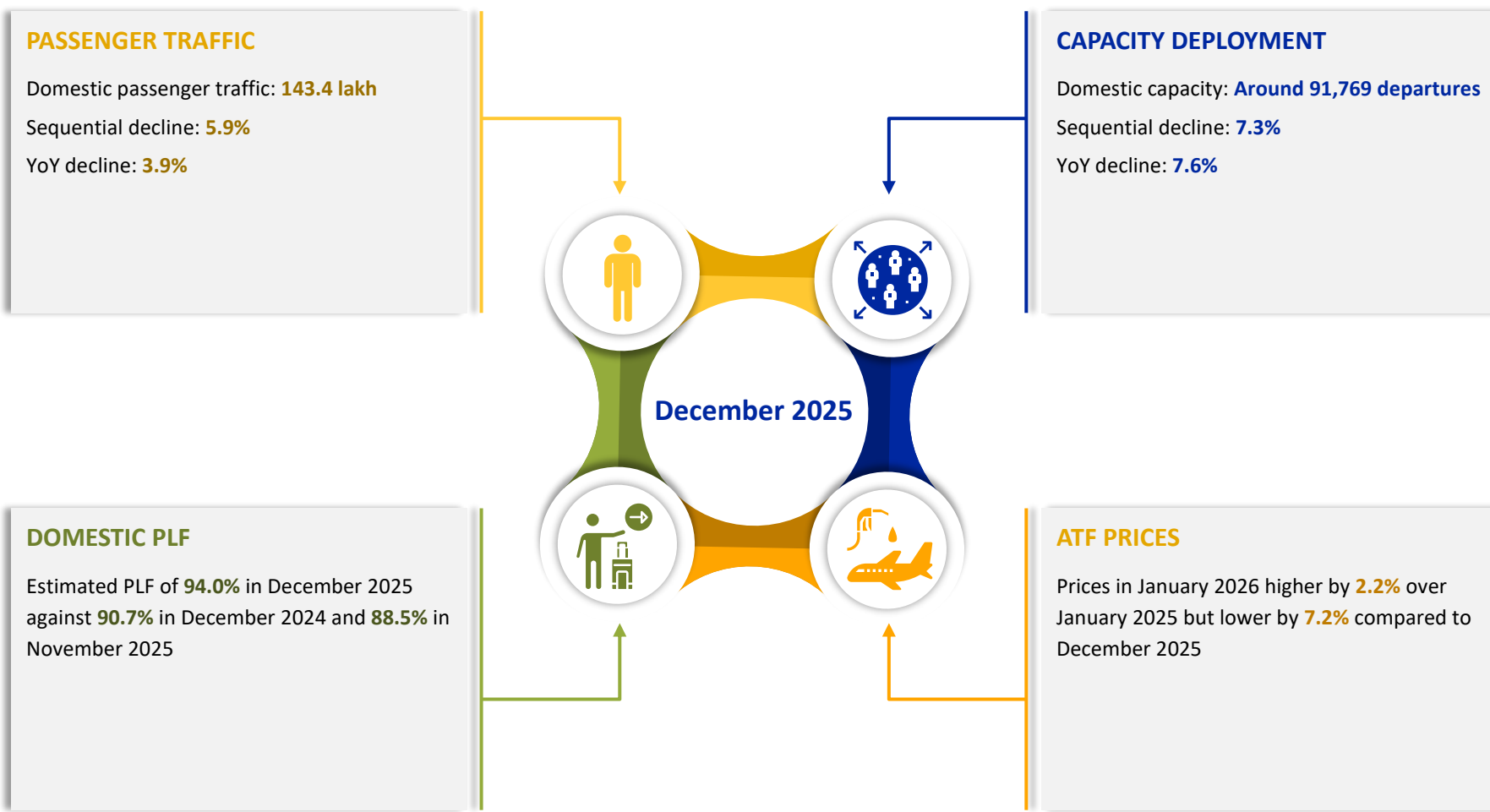
of the INR against the USD in Q2 FY2026 resulted in airlines reporting large foreign exchange (forex) losses in Q2 FY2026, although a large proportion of these losses are unrealised. Additionally, as the INR continued to depreciate in Q3 FY2026, airlines are likely to face further forex losses.

- **Industry's net losses to increase to Rs. 170-180 billion in FY2026** – In December 2025, ICRA had also revised its net loss forecast for the Indian aviation industry for 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 elevated 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 forex 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 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 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 aircraft crash in June 2025 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 posed further challenges for the industry during December 2025. The Directorate General of Civil Aviation (DGCA) has granted IndiGo temporary relief from the new regulations until February 10, 2026, allowing partial recovery in passenger traffic growth. In January 2026, the DGCA imposed a penalty aggregating to Rs. 22.2 crore on Indigo for non-compliance with the revised FDTL guidelines.

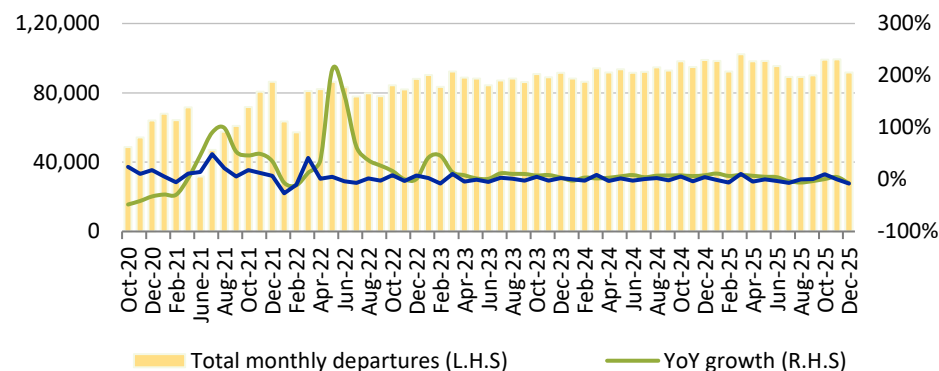
- **Select airlines face financial challenges, stretched liquidity issues** – While some airlines have adequate liquidity and/or financial assistance from strong parent companies, supporting their credit profiles, the credit metrics and liquidity profiles of others continue to remain under pressure,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



## Domestic air passenger traffic: 3.9% YoY decline in December 2025

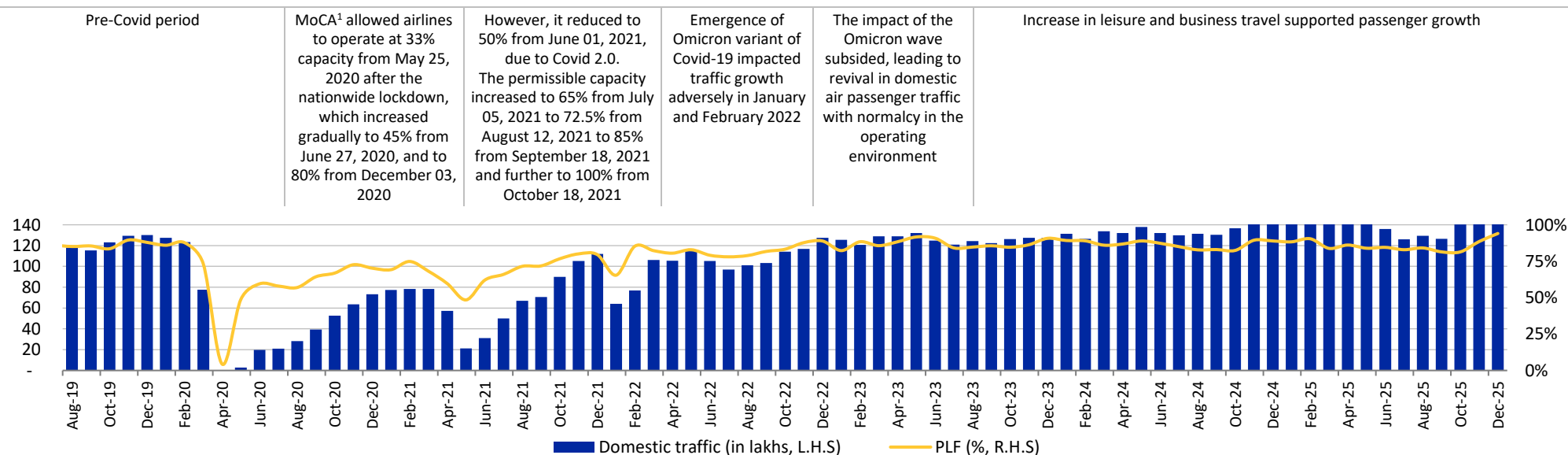
The capacity deployment for December 2025 was lower by 7.3% compared to December 2024 (around 91,769 departures in December 2025 against 99,013 in December 2024). The number of departures in December 2025 was lower by 7.6% on a month-on-month (MoM) basis. The capacity deployment was impacted on account of the disruptions witnessed by Indigo. 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**

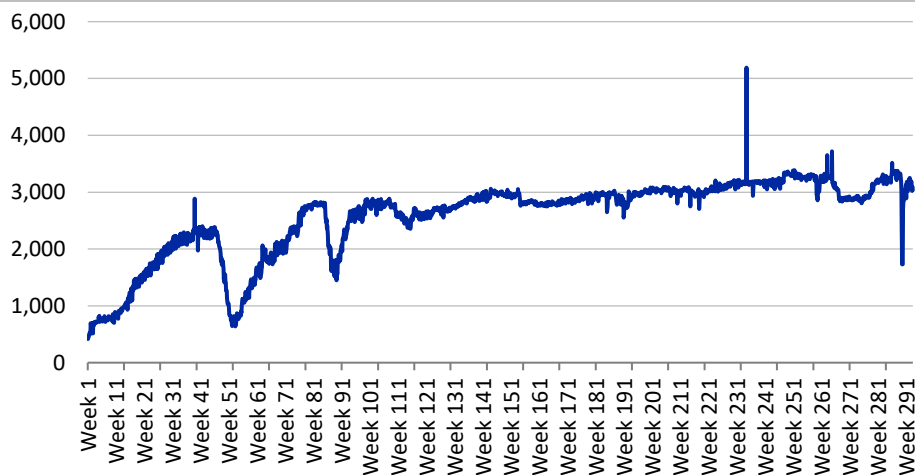


Source: MoCA, DGCA, ICRA Research; <sup>1</sup> MoCA: Ministry of Civil Aviation

For December 2025, domestic air passenger traffic stood at 143.4 lakh against 149.3 lakh in December 2024, implying a decline of 3.9% YoY, owing to the disruptions witnessed by Indigo. On a sequential basis, domestic air passenger traffic in December 2025 was lower by 5.9%. For 9M FY2026 (April 2025 to December 2025), domestic air passenger traffic was at 1,237.8 lakh, reflecting a YoY growth of 1.3%.

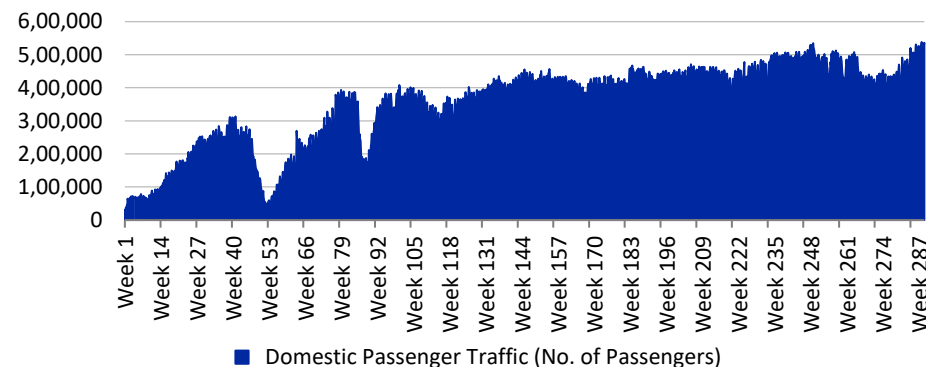
The highest single-day traffic of 538,429 was recorded on November 23, 2025, surpassing the historical levels as passenger travel surged. For December 2025, the average daily departures were around 2,960, lower than around 3,194 in December 2024 and around 3,309 in November 2025. The average number of passengers per flight was 156 in December 2025, higher than 151 in December 2024 and 153 in November 2025. It is estimated that the domestic aviation industry operated at a PLF of 94.0% in December 2025 over 90.7% in December 2024 and 88.5% in November 2025.

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



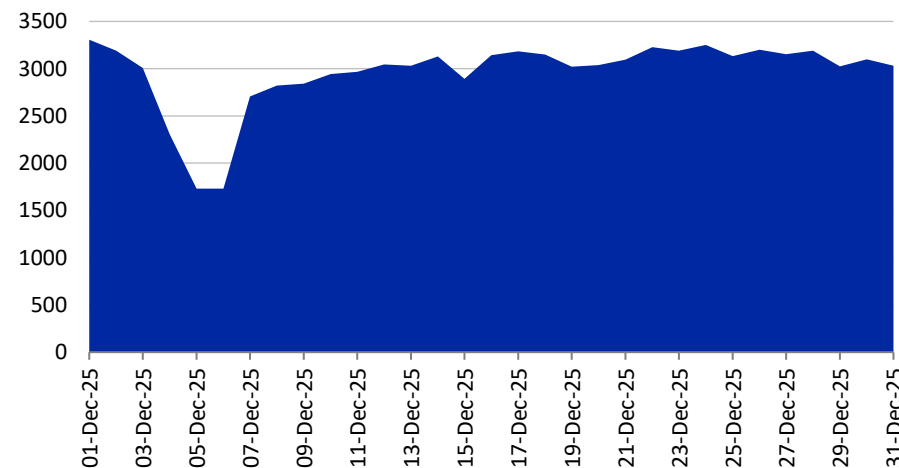
Source: MoCA, DGCA, ICRA Research

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



Source: MoCA, DGCA, ICRA Research

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

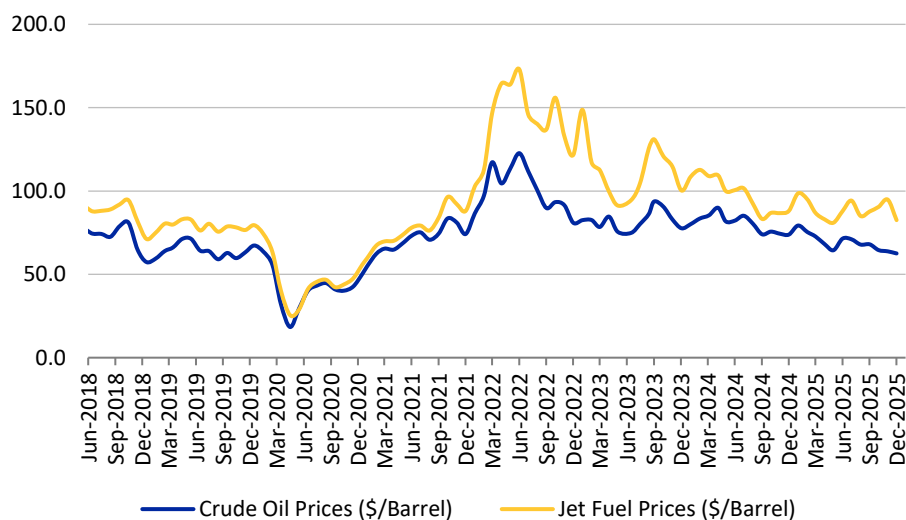


Source: MoCA, DGCA, ICRA Research

## ATF prices in January 2026 rose by 2.2% YoY but declined by 7.2% sequentially

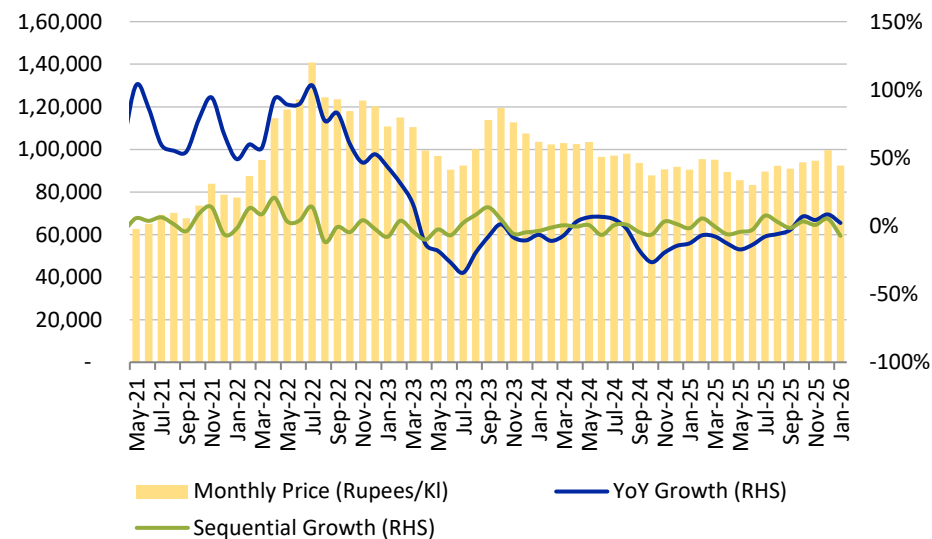
Following the pandemic, crude oil prices declined materially, reaching a low of around \$19/barrel in April 2020 (the sharpest dip since Q4 CY2018). However, the **prices have increased gradually thereafter and are at around \$63/barrel at present**. Between April 2024 and March 2025, ATF prices were 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 YoY 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. In January 2026, the prices rose by 2.2% YoY but declined by 7.2% on a MoM basis. For 10M FY2026 (April 2025 to January 2026), ATF prices have been lower by 4.2% YoY.

**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 January 21, 2026)

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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## 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)

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