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INDIAN AVIATION INDUSTRY

Dominance of foreign airlines on international routes offers growth potential for Indian carriers

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Highlights

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India's restrictive policy regime, slow pace of reforms and lagging aviation infrastructure have curtailed the expansion in market share of Indian carriers on international routes

ICRA expects the Indian carriers to gain market share on international routes, supported by their network expansion plans as well as induction of wide body aircraft by some of the airlines, which will enable them to fly on long-haul international routes

- ICRA estimates the international air passenger traffic for Indian carriers to grow by 15-20% each in FY2025 and FY2026, higher than the domestic air passenger traffic growth of 7-10% each, supported by increasing e-visa and visa on arrival coverage besides thrust by the Government of India on developing theme-based tourist centres and iconic tourist destinations in India.

- The total international air passenger traffic from/to India in 9M FY2025 was 56.9 lakhs, an increase of 11.4% on a YoY basis and 9.2% over the pre-Covid levels of 9M FY2020. In 9M FY2025, international air passenger traffic for Indian carriers was higher by 11.4% on a YoY basis and by 40.7% over the pre-Covid levels.

- India is among the few countries globally where domestic airlines do not have a leading market position on international routes. Market share of foreign airlines on international routes has ranged between 55% and 60% over the last three years. The low share of Indian carriers in international traffic, attributed to India's restrictive policy regime historically, slow pace of reforms and lagging aviation infrastructure, offers adequate growth potential for them. Further, focus on gradual increase in international routes by Indian carriers is expected to support their market share.

- Prior to FY2020, most international travel to/ from India was conducted by full service carriers (FSCs). However, since then, the surge in international air passenger traffic has been primarily driven by low cost carriers (LCCs), accounting for 72% of total international air passenger traffic for Indian carriers during 9M FY2025.

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Thank You!