



# INDIAN AVIATION INDUSTRY

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**Domestic passenger traffic to grow  
by 4-6% in FY2026**

**August 2025**



# Agenda

## 1 Industry trends



## 2 Performance update



## 3 Trends in international passenger traffic



## 4 Financial performance of Indian airlines



## 5 Outlook – Stable



## 6 Peer comparison



## 7

### ICRA ratings





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*ICRA forecasts the Indian aviation industry to report a net loss of Rs. 95-105 billion in FY2026 (higher than the earlier expectations of Rs. 20-30 billion) over net losses of Rs. 55 billion estimated for FY2025. Losses are set to shoot up principally because passenger traffic growth will be slowing down amid a period of rising aircraft deliveries, as per an expanded sample set for ICRA.*



- **The outlook for the Indian aviation industry\*** remains Stable, driven by expectations of modest growth in domestic air passenger traffic in FY2026. While the overall passenger traffic has been steady, emerging 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 ICRA's earlier projections of 7-10% growth. Passenger traffic growth in Q1 FY2026 was 4.4% YoY, weighed down by cross-border escalations, that had led to flight disruptions and cancellations, as well as travel hesitancy post the aircraft accident tragedy. The international air passenger traffic for Indian carriers is likely to grow by 13-15% in FY2026, lower than previous projections of 15-20%. A prolonged period of monsoons is likely to have affected air travel in July-August 2025 and now trade headwinds emanating from US tariffs are set to dampen business sentiments in the coming quarters, bringing more circumspection to travel.



- **The industry has witnessed pressure in pricing power**, as evidenced by lower yields in Q1 FY2026 on YoY basis, given the muted demand, disruptions owing to geopolitical tensions and recent major aircraft mishap weakening consumer sentiments. The yields are expected to remain under pressure in FY2026 as airlines strive to maintain adequate passenger load factor (PLF).



- **ICRA expects the Indian aviation industry to report a net loss of Rs. 95-105 billion in FY2026** compared to around Rs. 55 billion estimated net loss for FY2025. The anticipated rise in losses is mainly driven by a slowdown in passenger traffic growth during a period marked by an increase in aircraft deliveries coupled with pressure on yields. The estimated net loss for FY2025 and expected net loss for FY2026 have risen from ICRA's earlier estimates of Rs. 20-30 billion each in FY2025 and FY2026, following an expanded sample set. However, the projected losses remain significantly lower than those in FY2022 and FY2023.

*Gradual reduction in number of grounded aircraft leading to improvement in operational industry capacity in FY2026.*



- **At present, the Indian aviation industry has a total order book in excess of 1,600 aircraft**, which are likely to be received over the next 10 years. A reasonably large part of these is towards replacement of old aircraft with new fuel-efficient ones. The deliveries will also be impacted by the current supply chain challenges faced by aircraft and engine original equipment manufacturers (OEMs). ICRA expects the demand-supply balance in the industry to be maintained in the medium to long term, aided by improved air travel penetration levels.
- **Gradual reduction in grounded aircraft is likely to support the industry capacity.** Engine failures and supply chain challenges led to the grounding of ~133 aircraft for select airlines as on March 31, 2025, which is 15-17% of the total industry fleet, impacting the overall industry capacity (as measured by the available seat kilometre or ASKMs). However, the aircraft on ground situation has improved from that of 20-22% as on September 30, 2023, and is expected to further improve in FY2026.



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