



# INDIAN AVIATION INDUSTRY

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Industry to see clear skies in FY2024

AUGUST 2023



*ICRA expects the Indian aviation industry to report a significantly lower net loss of ~Rs. 30-50 billion in FY2024 against Rs. 170-175 billion in FY2023.*

*Supply-chain challenges being faced by airlines have recently plagued the sector.*

*The airlines' ability to increase yields proportionate to their input cost increases will be the key to expand their profitability margins.*



- **The outlook for the Indian aviation industry remains Stable**, given the fast-paced recovery in domestic passenger traffic in FY2023 and continuation of the same. Moreover, the industry has witnessed improved pricing power, as reflected in improved yields and thus the revenue per available seat kilometer – cost per available seat kilometer (RASK-CASK) spread of the airlines. The same is expected to continue with a YoY decline in aviation turbine fuel (ATF) prices since April 2023 and the relatively stable foreign exchange rates.



- **The domestic air passenger traffic growth in FY2024 is estimated at 8-13%** to reach 150-155 million, thereby surpassing the pre-Covid levels. During 3M FY2024, domestic air passenger traffic at 38.6 million witnessed YoY growth of 19%, 10% higher than the pre-Covid levels (3M FY2020). During FY2023, the passenger load factor (PLF) stood at 83.2%, an improvement over 73.1% in FY2022, but still lower than the pre-Covid levels i.e. 86.2% in FY2020. However, the PLF in 3M FY2024 stood at 90%, higher than 81% in 3M FY2023 and higher by 1% from pre-Covid levels of 89% i.e. 3M FY2020.



- **International passenger traffic for Indian carriers is on a growth trajectory.** While it surpassed the pre-Covid levels in FY2023, it still remains lower than the peak levels of FY2019.



- **Despite healthy recovery in passenger traffic, the domestic aviation industry currently faces major challenges** on account of elevated ATF prices, and depreciation of INR vis-à-vis the US\$, both of which have a major bearing on the airlines' cost structure. However, airlines have been able to improve their yields to pass on the same to a large extent, without impacting demand.



- **In addition, supply-chain challenges faced by airlines**, which include availability of spare parts and engine issues, have recently plagued the sector, resulting in grounding of certain aircraft for some airlines, thus impacting their overall capacities. This also negatively impacts the cash flow generation of the airlines, given the high fixed-cost nature of the business.



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