

# INDIAN AVIATION INDUSTRY

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**Industry gradually coming out of a  
turbulent phase; outlook revised to  
Stable from Negative**

**February 2023**



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

*ICRA expects the Indian aviation industry to report a lower net loss of ~Rs. 50-70 billion in FY2024.*



- **The outlook for the Indian aviation industry has been changed to Stable from Negative**, 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 RASK-CASK spread of the airlines. The same is expected to continue as the industry will regain some pricing discipline coupled with marginal decline in aviation turbine fuel (ATF) prices and relatively stable foreign exchange rates.



- **The domestic passenger traffic growth is expected to stay in the range of 8-13% in FY2024** to reach 145-150 million post 55-60% growth in FY2023, much higher than the pre-Covid levels. During 10M FY2023, domestic passenger traffic, at 111 million, witnessed YoY growth of 66.2%, and was lower by only ~8.3% than the pre-Covid levels (10M FY2020). The PLF continued to rise gradually post the second wave of the pandemic. During 9M FY2023, the PLF stood at 82.4%, reflecting an improvement over 73.4% PLF in FY2022, but still lower than the pre-Covid levels i.e. 87.2% in 9M FY2020. However, the PLF in January 2023 at 90% was higher than 86% in January 2020.



- **International passenger traffic for Indian carriers is on a growth trajectory** with the resumption of scheduled international operations since March 27, 2022, and is only short of 2.4% in 9M FY2023 when compared to pre-Covid levels.



- **Despite healthy recovery in passenger traffic, the domestic aviation industry currently faces major challenges** on account of elevated ATF prices, and recent 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 increase yields (YoY increase of around 35-40% during 9M FY2023 over 9M FY2022) to pass on the same to a large extent, without impacting demand.



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