



INDIAN AVIATION INDUSTRY

Industry navigating towards clearer
skies; losses to remain range-bound

August 2024





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ICRA expects the Indian aviation industry to report a net loss of ~Rs. 20-30 billion in FY2025 and FY2026 (lower than the earlier estimates of Rs. 30-40 billion), against ~Rs. 10 billion in FY2024.

Supply-chain challenges and engine failure issues have impacted the industry capacity over the last 18 months and are expected to continue affecting it this year



- **The outlook for the Indian aviation industry*** remains Stable, driven by expectations of moderate growth in domestic air passenger traffic and a relatively stable cost environment in FY2025. Domestic air passenger traffic growth in FY2025 is estimated at 7-10%, reaching 164-170 million, marginally lower than ICRA's earlier estimate of 8-13% due to the high base of FY2024 and reduced passenger traffic in Q1 FY2025, impacted by severe heat wave and other weather-related disruptions. International passenger traffic for Indian carriers is expected to grow by 15-20% in FY2025 and FY2026.
- **Moreover, the industry has witnessed improved pricing power**, as evidenced by higher yields and an increased spread between RASK-CASK^ for the airlines. This trend is expected to remain supported by virtue of limited capacity addition (i.e. aircrafts) owing to ongoing technical challenges faced by aircraft manufacturers and suppliers. In addition, healthy traffic demand coupled with relatively stable foreign exchange rates and range-bound movement in ATF prices.
- **ICRA expects the Indian aviation industry to report a net loss of Rs. 20-30 billion in FY2025 and FY2026** compared to ~Rs. 10 billion in FY2024 due to anticipated pressure on yields as airlines strive to maintain adequate passenger load factor (PLF) and year-on-year (YoY) uptick in ATF prices. Further, the debt metrics for the industry improved in FY2024 owing to better profitability and are expected to remain range-bound in the medium term.
- **At present, the Indian aviation industry has a total order book of ~1,660 aircraft**, which is more than double the size of the current fleet. However, deliveries are likely to be gradual, spanning over the next decade, and 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.
- **The Indian aviation industry has been affected by engine failures and supply chain challenges.** This has led to the grounding of ~134 aircraft for select airlines, which is 15-17% of the total industry fleet as on June 30, 2024, impacting overall industry capacity (as measured by available seat kilometre or ASKMs). The industry ASKMs for the current fiscal are also impacted due to challenges related to the availability of pilots and cabin crew for select airlines, leading to several flight cancellations and delays.

*Refers to consolidation of AIX Connect Private Limited, Air India Limited, Interglobe Aviation Limited, SpiceJet Limited and Tata SIA Airlines Limited

^RASK – CASK : revenue per available seat kilometre – cost per available seat kilometre



ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice-President and Group Head	shamsherd@icraindia.com	0124 4545 328
Kinjal Shah	Co-Group Head	kinjal.shah@icraindia.com	022 6114 3442
Suprio Banerjee	Sector Head	supriob@icraindia.com	022 61143400
Karan Gupta	Senior Analyst	karan.gupta@icraindia.com	022 6114 3416
Roshan Dugar	Senior Analyst	roshan.dugar@icraindia.com	020 6606 9924





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	Vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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