

Air Travel Growth could be Less Than Expected; Cos Stare at Deeper Losses

Our Bureau

Mumbai: Icra has cut its growth forecast for India's civil aviation sector to 4–6% this fiscal year, from 7–10% in FY25, citing cross-border tensions, capacity disruptions, and continued hesitancy among many air travellers after the Air India plane crash in June.

The market remained sluggish in August, underlined by flat passenger traffic growth while airlines grappled with fuel costs, grounded planes, and weak demand.

Domestic passenger traffic was at 13.17 million in August, almost unchanged from 13.13 million a year earlier, though higher than July's 12.61 million, according to Icra. For the April–August period, traffic rose 2.2% year-on-year to 67.75 million passengers.

With demand staying subdued, airlines added 5.8% fewer capacity in August compared to a year earlier and largely unchanged from July.

“While overall passenger traffic has so far held steady, ongoing geopolitical and operational he-

adwinds warrant close monitoring for potential downside risks,” Icra said.

Notably, international operations remain relatively stronger. In July, Indian carriers flew 2.96 million passengers overseas, a 6.7% rise from a year earlier, and 6.8% higher than June. For April–July, the total was 11.73 million, up 10%.

Even so, Icra trimmed its FY26 international growth estimate to 13–15% from 15–20%, citing safety concerns and regional tensions.

On the financial front, airlines are staring at deeper losses. The rating agency expects industrywide

net losses to nearly double to ₹95,000–1,05,000 crore this fiscal from ₹55,000 crore last year. This is due to increasing aircraft deliveries in a scenario of softening demand, foreign exchange pressures,

SECTOR OUTLOOK

Flat August traffic at 131.7 lakh prompts Icra to lower FY26 domestic growth forecast to 4–6%

and higher lease rentals.

Fuel, which makes up 30–40% of operating costs, remains a drag despite some relief—ATF prices averaged ₹95,181/KL in FY25, 8% lower from a year earlier. Prices have fallen 10% in the first five months of FY26.

Operational constraints are adding to the pressure at airlines. Supply chain issues and Pratt & Whitney engine failures have kept more than 130 aircraft grounded as of March 2025, around 15–17% of the industry's fleet.

Although the situation has improved, airlines continue to depend on costly wet leases and face higher expenses from reduced fuel efficiency. Crew shortages have also led to cancellations and delays, further testing passenger confidence.

Icra has maintained a “Stable” outlook on the sector, citing steady yields and high load factors that are cushioning costs. But with traffic growth tapering, losses widening, and global headwinds intensifying, India's aviation industry is set for a year of consolidation rather than lift-off, it said.

