

# Crash, plane crunch drive traffic pain for airlines

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India's domestic air passenger traffic growth was already cooling from the highs of post-pandemic revenge travel. Last fiscal is estimated to have been the worst since then because of multiple setbacks—grounded planes, frequent disruptions and heightened regulatory scrutiny after the country's worst air crash in decades.

Air passenger traffic rose 1.6% between April and February, according to Icra Ltd's note published last month. The ratings agency estimates an up to 3% growth in fiscal year 2026 (FY26).

The number of Indians flying grew by 59% and 56% in FY22 and FY23, respectively, according to data from the civil aviation regulator Directorate General of Civil Aviation (DGCA).

This growth slowed to 16% in FY24 and 7.6% in the following year.

The slowdown, however, does not represent a lack of demand. Passenger load factor, a measure of occupancy levels in a flight, remained

# Capacity curbs, disruptions weigh on FY26 passenger traffic growth

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elevated at around 93%, Icra said. And all airlines have lined up aggressive expansion.

The fatal Air India crash in June 2025 triggered heightened regulatory scrutiny and stricter safety checks across the industry. This led to lower aircraft utilisation and operational delays. The operational meltdown in December at India's largest carrier, IndiGo, led the DGCA to cut 10% of its daily flights.

Another major drag has been aircraft availability. According to Icra, 13-15% of the industry's fleet remained grounded as of February 2026, primarily due to engine failures and supply chain constraints. This has directly reduced the number of planes in operation, limiting capacity addition even as demand remained robust.

International passenger traffic, a major growth driver over the past two years, has taken a hit. Growth has been affected by the closure of Pakistani airspace and restrictions in West Asia airspace due to the US-Iran war, forcing airlines to reroute long-haul flights. The war has also driven up fuel costs, resulting in higher fares and additional surcharges.

Indian airlines carried 30.3 million international passengers in the first 10 months of FY26, a year-on-year increase of 8.5%, compared to a stronger 14.1% growth in FY25.



Domestic passenger traffic has risen from 53.5 million in FY21 to 165.4 million in FY25. REUTERS

Domestic passenger traffic has risen from 53.5 million in FY21 to 165.4 million in FY25. Even with 3% growth in FY26, total passenger traffic would increase to around 170.3 million.

"While the start of the year was relatively strong, multiple disruptions—including the Pahal-gam incident in April, India-Pakistan tensions in May, the Air India crash in June, the IndiGo crisis in December, and the West Asia conflict in March—have weighed on sector growth in FY26," said Jainam Shah, aviation analyst at Equirus Securities.

During the same period, Indian Railways, the preferred mode of transport for most Indians, reported a 3.54% increase in passengers to 7,410 million in FY26.

Despite the slowdown, India's top airlines are planning major expansion. Currently, IndiGo has 440 planes, the Air India Group has 291, Akasa Air has 37, and SpiceJet has about 35, taking the total fleet to 803 aircraft.

Over the next nine years, these airlines expect to add more than 1,000 planes. By 2035, IndiGo plans to add 900 aircraft, Air India 541, and Akasa Air 189.

Equirus's Shah said passenger demand is likely to remain strong enough to fill these new planes. However, it is uncertain whether all the aircraft on order will actually be delivered by 2035, and this will need close monitoring.

Icra expects the aviation industry to report losses of ₹17,000-18,000 crore in FY26, with only some improvement in FY27. It has also changed its outlook for the sector to negative from stable due to ongoing uncertainties.

However, some analysts still believe the outlook for FY27 is stable. "Looking ahead, the FY27 outlook appears stable, subject to geopolitical developments," Shah said. "In a normal scenario, industry growth is likely to remain in the high single digits, driven more by aircraft supply than demand, as underlying demand continues to be robust, reflected in healthy passenger load factors. Accordingly, airlines should prioritize faster aircraft inductions to bridge the supply gap."