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INDUSTRY OUTLOOK

AVIATION INDUSTRY IN INDIA - FLYING HIGH BUT HEADWINDS PERSIST

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1. Introduction

The aviation industry plays a vital role in the global economy, with significant direct, indirect, and induced effects. Its direct effects include creating jobs for airline staff, airport workers, and air navigation services. Indirectly, the industry supports fuel suppliers, airport construction companies, and aircraft parts providers. Induced impacts benefit banks, leasing firms, tourism, and e-commerce worldwide. The sector has an output multiplier of 3.25 times and an employment multiplier of 6.1 times, leading to substantial economic gains.

In 2023, the global aviation industry contributed $4.1 trillion (3.9%) to the world's GDP, directly supporting 11.6 million jobs and supporting overall 86.5 million jobs. It also facilitated $8 trillion (33%) in global trade and accounted for 58% of international tourists flow.

The aviation market in India, a key driver of growth, connectivity, and globalization, is the third-largest domestic market worldwide. In 2023, it contributed $53.6 billion (1.5%) to GDP and directly supported 7.7 million jobs. Industry growth is driven by strong domestic and international demand, resulting in upgrades to airport infrastructure and more aircraft orders. The total number of airports increased to 487, including 157 major airports in 2024. Investment in upgrading domestic airports to international standards has also occurred. Corresponding to rising demand, the number of civil aircraft increased to 846 in 2024.

2. Overview

The aviation sector acts as a key driver of economic growth in the country. It enhances quality of life by supporting technology-based jobs and offering faster transportation options. Additionally, it advances global integration by easing the movement of people and goods across borders. India is the third-largest civil aviation market in the world (2024), trailing only the USA and China. The sector contributes about $54 billion to India's circular economy, directly employs nearly 370,000 people, and supports 7.7 million indirect jobs.

Leading carriers by market share include IndiGo, Air India, Air India Express, Akasa Air, and SpiceJet, which collectively serve over 80 domestic destinations and have extensive coverage on international routes. India’s airports now handle up to one billion passengers annually. Growth factors such as a rising middle class, urbanization, and supportive government policies have fueled India's extraordinary passenger growth, making it one of the fastest-growing aviation markets worldwide. The sector is undergoing major changes driven by technological innovation, rising demand, infrastructure upgrades, and policy reforms.

3. Global Overview

Globally, the aviation industry is experiencing a significant recovery after the setbacks caused by the COVID-19 pandemic. In 2025, the global aviation industry is seeing a strong rebound from the pandemic years, expected to exceed $1 trillion in annual revenue and serve more than five billion passengers for the first time in history. Industry profitability is projected to reach a net profit of $36-37 billion, with passenger demand (measured by revenue passenger kilometers, RPKs) growing rapidly, especially in the Asia-Pacific region, where demand is forecasted to increase by 9% annually. Restraints remain, primarily due to ongoing supply chain disruptions, rising costs, and the need for sustainability initiatives.

A notable trend is the rapid expansion in Asia, with India and China leading much of this growth. Low-cost carriers (LCCs) are planning aggressive fleet expansions, though the industry must address environmental and infrastructure challenges for sustainable growth. According to the International Air Transport Association (IATA), global passenger traffic reached about 88% of pre-pandemic levels by 2023 and is expected to surpass 2019 levels by 2025. The rebound has been driven by the resurgence of tourism, the easing of travel restrictions, and pent-up demand. While air cargo has moderated from pandemic highs, it remains a vital part of global trade, handling over 35% of trade by value.

Rising e-commerce demand, geopolitical tensions, and supply chain diversification have transformed cargo dynamics. The global aviation industry hit a new all-time high in 2024. Over the past year, the global economy has remained stable, with low unemployment, decreasing inflation rates, and falling crude oil prices. These factors have contributed to lower Aviation Turbine Fuel (ATF) prices, resulting in more moderate ticket prices. Growth momentum continues, fueled by increased activity in the largest passenger markets and expanded opportunities in emerging markets.

3.1 Air Passenger Traffic

Domestic traffic makes up about 69% of total airline traffic in South Asia. India recorded 306 million domestic passengers in FY 24, nearly reaching pre- pandemic levels. Fast growth by low- cost carriers (LCCs) —which account for 71% of scheduled seats—has fueled competition and led to significant fare cuts, with a 21% decrease in inflation-adjusted domestic fares since 2011.
Major aircraft orders, like IndiGo' s 500 + plane purchase, highlight airlines' confidence in future demand. International passenger traffic is also rising quickly; Air India holds 23.6% of India's international passenger market. Deregulation has allowed Indian airlines to expand routes, targeting busy corridors to the Middle East, Southeast Asia, and North America. International fares tend to be more unstable due to fuel costs, competition, and geopolitical issues. Still, average international fares from India have fallen by 38% in real terms since 2011.

Post-pandemic, passenger traffic in India has grown strongly. According to the Directorate General of Civil Aviation (DGCA), domestic air travel in FY 2023–24 exceeded 150 million passengers, a big jump from 123 million in FY 2022–23. Increased availability of LCCs, promotional fares, and better airport infrastructure have contributed to this growth. In 2024, the passenger segment experienced record growth, especially in December year-over-year.

The industry's total Revenue Passenger- Kilometers (RPK) grew by 10. 6% year-over-year in 2024. On the supply side, Available Seat- Kilometers (ASK) increased everywhere except North America. The largest international markets remained steady, with international traffic from the Asia Pacific region seeing a resurgence. The year also marked a full recovery, with all regions surpassing their pre- pandemic levels.

Compared to March 2025 year- over- year, global air passenger traffic grew modestly, with industry- wide RPK up 3.3%, reaching 738. 8 billion. Capacity expanded more, rising 5. 3% in available seat capacity, causing the industry' s average Passenger Load Factor (PLF) to drop to 80. 7%, a decrease of 1. 6 percentage points from the previous year. On the supply side, ASK grew significantly by 14. 5%. Overall domestic seat capacity increased slightly by 2.5% year- over- year. The Indian domestic market helped offset capacity cuts in Australia and China.

Table 1: Air passenger market metrics (March 2025 YoY)

	World Share	RPK (% growth)	ASK (% growth)	PLF (% point)	PLF (Level)
Total Market	100.0%	3.3%	5.3%	-1.6%	80.7%
International	61.8%	4.9%	7.0%	-1.7%	79.9%
Domestic	38.2%	0.9%	2.5%	-1.3%	82.0%

Data Source: IATA Air Passenger Market Analysis- March 2025
Note: RPK-Revenue Passenger Kilometer : No of Paying passenger * Distance travelled ,
ASK – Avaliable Seat Kilometer: No of Seats in a flight * distance flown,
PLF- Passenger Load Factor: No of revenue passenger / No of available seats.

3.2 Air Cargo

Globally, air cargo forms around 35% of total world trade by value but accounts for less than 1% by volume. Demand for air-freighted goods remains sensitive to global economic conditions, with periodic volatility in response to supply chain disruptions. The long-term outlook remains positive, particularly for markets experiencing rising e-commerce activity and globalized manufacturing

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The Indian air cargo segment plays a pivotal role in facilitating trade, particularly for high-value, time-sensitive goods. International cargo traffic reached 1.5 million tonnes. International cargo is handled by FedEx, DHL, and Emirates SkyCargo.

The Air cargo market witnessed increasing demand in the past year. Global air freight volumes reached a historic March peak, showing 4.4% year over year growth in CTK. This year's modest single-digit increase aligns with trends observed in pre-pandemic years, as the growth rate are not influenced by post-COVID recovery factors, where such gradual gains were common.

Table 2: Air Cargo market metrics (March 2025 YoY)					
	World Share	**CTK (% growth)**	**ACTK (% growth)**	**CLF (% point)**	**CLF (level)**
Total Market	100.0%	4.4%	4.3%	0.1%	47.5%
International	87.3%	5.5%	6.1%	-0.3%	53.7%
Data Source: IATA Air Cargo Market Analysis- March 2025 Note: Cargo Ton Kilometer (CTK)- Ton of Freight Carried * distance flown Available Cargo Ton Kilometer (ACTK)- Airline cargo carrying capacity Cargo Load Factor (CLF)- CTK / ACTK					

Air shipments increased by 3.2% month-on-month (MoM) from February to March. This jump matches past trends, but global events may have contributed to the boost. The sharp rise in U.S. tariffs may have prompted buyers to make purchases in advance to avoid significant import fees.

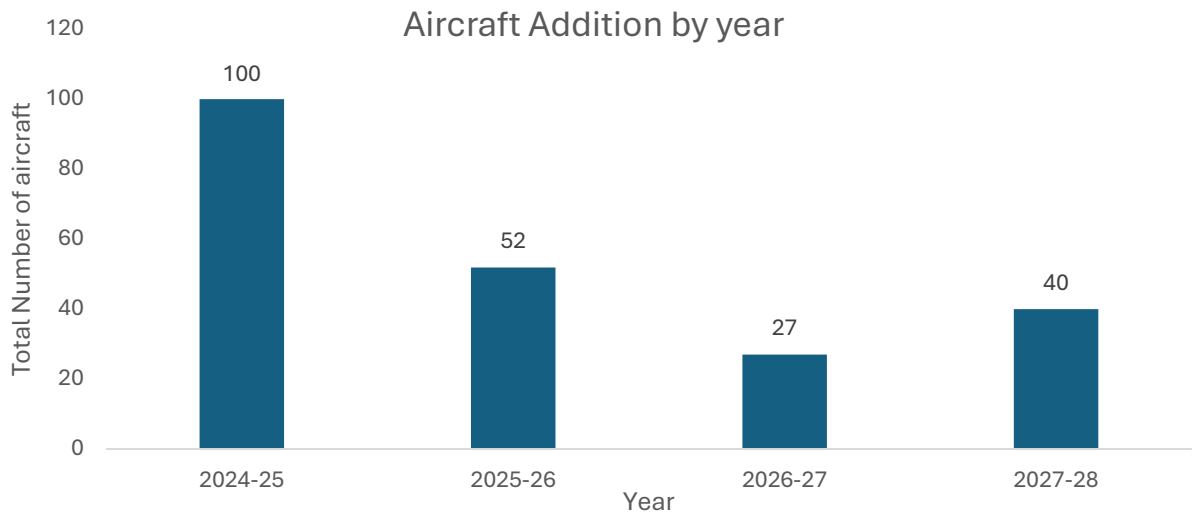
4. Domestic Overview

India is currently the third-largest domestic aviation market in the world, behind only the United States and China. As of 2024, the country hosts over 140 operational airports, including several newly commissioned ones under the UDAN (Ude Desh ka Aam Nagrik) scheme. The number of domestic airlines has also grown, with players such as IndiGo, Air India, Vistara, and Akasa Air shaping the competitive landscape. India's burgeoning middle class, economic expansion, rising demand for travel, government policies on regional connectivity, and growing disposable incomes have accelerated demand for air travel.

The domestic aviation industry grew by 6.5 per cent, well above the global growth level, in FY25. Falling crude oil prices have helped lower Aviation turbine fuel (ATF) prices, leading to moderating ticket prices. Growth momentum has been further maintained due to the deepening in the domestic market through the exploitation of potential routes to Tier 2 & Tier 3 cities and Northeast regions.

Table 3(a): Civil Aviation Fleet Size India									
Air India	Akasa Air	Alliance	Air India	FLY 91	India One	Indigo	Spice Jet	Star Air	Total
195	28	21	106	33	2	428	51	9	846
Table 3(b): Cargo Fleet Size India									
Blue Dart	Indigo Cargo	Quikjet	Pradhan Air	SpiceXpress					Total
8	3	2	1	3					17
Data Source: http://www.knowindia.net/aviation7.html									

The overall civil aviation fleet size witnessed an increase in the past year. The fleet size has increased to 846 for passenger aircraft. The increase in fleet size has been due to civil aircrafts addition by Indigo and Air India. Cargo Aircraft fleet size stood at 17 in total. Blue dart aviation constituted around 50 per cent of the cargo fleet. In addition to the dedicated cargo fleet, aviation companies also utilize the passenger belly area to carry out cargo operations.



The past fiscal year was expected to see a fleet addition of 100 aircraft. The increase been led by delivery to large aviation companies in India namely Indigo and Air India. These order deliveries reflect the large fleet orders placed in 2022 and 2023. The current fiscal year will see an addition of 52 to its fleet, a slowdown compared to last year. The uptick in order of aircraft delivery from 2027-28 reflect the recent aircraft orders placed by Air India and other airlines in India.

4.1 Domestic Air Passenger Traffic

Domestic aviation constitutes the bulk of air passenger traffic in India. IndiGo remains the market leader with over 60% market share, followed by Air India and Vistara. Akasa Air has gained traction as a new entrant. With Tier-2 and Tier-3 cities becoming air-connected, the domestic market is expected to witness a CAGR of over 8% till 2030.

The seasonal nature of travel, festivals, and regional tourism initiatives play a key role in shaping domestic air travel patterns. However, high ticket prices in non-competitive routes and infrastructure bottlenecks remain challenges.

The Air passenger market in India witnessed high growth rates. RPK grew at 11 per cent in March 2025, the highest among all the major markets in world. On the Supply side ASK grew by 14.5 per cent. The large increase in ASK may be attributed to the increase in the civil aircraft additions in the past year. This has led to a reduction in PLF by 2.6 per cent.

Table 4: Air Passenger growth rate

Country	India's Share in World	RPK	ASK	PLF (% point)	PLF level
India	1.6	11.0	14.5	-2.6	83.3
Data Source: IATA Air passenger market in detail - March 2025					

a. Domestic Traffic

Domestic Traffic accounts for about 69% of total airline traffic in South Asia. India saw 306 million domestic passengers in FY24, a near-full recovery to pre-pandemic volume. Rapid expansion by LCCs—71% of scheduled seats—has driven competition and significant fare reductions (21% decrease in domestic fares, inflation-adjusted, since 2011). Record aircraft orders (e.g., IndiGo's 500+ plane order) underscore airline confidence in future demand.

According to Air Traffic data of Directorate of Civil aviation, in March 2025 domestic airline carried 145.42 M against 133.68 M passengers during the corresponding period of previous year, thereby registering an annual growth of 10.35 %.

Table 5: Traffic And Operating Statistics of Indian Carriers (Scheduled Domestic Services)						
Year	**Departures**	**Kilometer**	**Passenger Carried**	**Passenger kms Performed**	**Available Seat Kilometer**	**Pax Load factor (in per cent)**
FY24	1.063 M	0.960 B	153.67 M	148.25 B	169.289 B	87.6
FY25	1.141 M	1.185 B	165.37 M	160.54 B	185.794B	86.5
Growth rate	7.33	23.4	7.61	8.29	9.75	
M- Million, B- Billion Data Source: Ministry of Civil Aviation						

In terms of traffic data analysis, FY25 has seen a passenger growth rate of 7.61 per cent. Passenger per kilometer (equivalent to RPK) has seen a growth of 8.29 per cent. During the same period, ASK have seen a growth rate of 9.75 per cent. The high ASK-RPK growth can be due to an increase in the fleet size of major airlines in FY25. High ASK growth rate has also led to a reduction of PLF for major airlines in India. ASK has reduced only marginally by 1.1 per cent, even though a large aircraft fleet addition took place.

b. International Traffic

Table 6: Traffic And Operating Statistics of Indian Carriers (Scheduled Domestic carriers – International Service)						
Year	**Departures**	**Kilometer (in 000's)**	**Passenger Carried**	**Passenger kms Performed (000's)**	**Available Seat Kilometer (000's)**	**Pax Load factor (in percentage)**
FY24	0.177 M	571.503 M	29.585 M	105.272 B	125.395 B	83.9
FY25	0.206 M	668.475 M	33.665 M	122.579 B	148.402 B	82.6
Growth rate	16.38	16.96	13.79	16.44	18.34	
M- Million, B- Billion ; Data Source: Ministry of Civil Aviation						

International passenger traffic is growing rapidly; Air India leads with 23.6% of India's total international passenger traffic. Liberalization has enabled Indian carriers to expand routes, often focusing on high-traffic corridors to the Middle East, Southeast Asia, and North America. International fare levels are comparatively more volatile due to fuel, competition, and geopolitical fluctuations. Nevertheless, average international fares from India have dropped 38% in real terms since 2011.

India's international passenger traffic witnessed a recovery, reaching 63 million in FY 2023–24, compared to 51 million in FY 2022–23. Gulf countries, Southeast Asia, and North America account for most of the international traffic. Key airlines operating in international segments include Emirates, Qatar Airways, Singapore Airlines, Lufthansa, and Air India.

The Indian diaspora, business travel, and outbound tourism fuel international demand. The expansion of bilateral air service agreements and code-sharing arrangements with foreign carriers are helping Indian carriers increase their international footprint.

In FY 25, International Air Traffic witnessed a growth rate of 13.79 per cent. Passenger per kilometer (equivalent to RPK) has seen a growth of 16.44 per cent. During the same period, ASK has seen a growth rate of 18.34 per cent. High growth rate for RPK and ASK can be attributed to the increasing exploitation of international routes by domestic airlines. High ASK growth rate has also led to a reduction of PLF for major airlines along the international routes. ASK has reduced only marginally by 1.1 per cent, even though a large aircraft fleet addition has taken place.

Table 7: Airline wise International Traffic (scheduled) for CY 2024

	Passengers to India	**Passengers form India**
Domestic Operators		
Air India	4,662,517	4602324
Air India Express	2819412	3073838
Akasa Air	114692	140900
Indigo	6601329	6715212
SpiceJet	774129	836238
Vistara	1219514	1245173
Alliance Air	13678	13260
Total Domestic	16,205,271	16,626,945
Total Foreign	19,304,492	20,387,468
Data value in Numbers; Data Source: Ministry of Civil Aviation		

Disaggregating international airline traffic based on operators, domestic operators command 45 per cent while foreign operators command 55 % share of passengers both on the *to* and *from* routes from India. In case of domestic operators, Air India and its affiliates are the major players commanding 47.8 per cent of the market share, whereas Indigo airline holds the second largest share at 45 per cent.

Table 8: International Traffic (scheduled) for CY 2023 and 2024						
	Passengers to India			Passengers form India		
Period	**CY 2024**	**CY 2023**	**Growth rate**	**CY 2024**	**CY 2023**	**Growth rate**
Domestic	16.2 M	13.86	16.92	16.63 M	14.528	14.44
Foreign	19.30 M	13.86	39.28	20.38 M	18.359	11.04
Data Source: Ministry of Civil Aviation						

In International Traffic, CY24 witnessed 35.5 million passengers travelling to and 37 million passengers travelling from India. Foreign operators dominate the flow of passengers both to and from India. Foreign operators moved 19.3 million passengers *to* India registering a growth of 13.86 per cent and moved 20.38 million passengers *from* India registering a growth of 11.04 per cent.

Domestic operators hold a smaller share compared to foreign operators. Domestic operators moved 16.2 million passengers *to* India registering a growth of 16.9 per cent and 16.6 million passengers *form* India registering a growth of 14.4 %. The low penetration of domestic operators on both *to* and *from* international routes represents a significant opportunity for expansion in the future.

4.2 Air Cargo

a. Domestic Cargo Traffic

India's air freight volumes grew at a CAGR of 2.5% from FY16–22, but pandemic effects have delayed a return to growth rates seen in the late 2010s. Domestic air freight is still below its pre-pandemic levels, while international cargo has benefited from e-commerce and pharmaceutical exports. The Airports Authority of India and private sector expansions expect to push handling capacity well above current volumes in the coming years.

Domestic air cargo volumes reached over 1.3 million tonnes in FY 2023–24. The growth of e-commerce, pharmaceuticals, electronics, and perishables has driven demand. Major cargo hubs include Delhi, Mumbai, Bengaluru, and Hyderabad. The implementation of cargo-specific terminals and cold-chain infrastructure is enhancing efficiency. Blue Dart, Spice Xpress, and IndiGo Cargo are key domestic cargo operators.

Table 9: Traffic And Operating Statistics of Indian Carriers (Cargo) (Scheduled Domestic Services)				
Year	**Cargo Carried (000 tonnes)**	**Tonnes Per Kilometer Performed (CTK)**	**Available tonnes per Kilometer (ACTK)**	**Weight Load factor**
FY24	758.420	14.166 B	19.744 B	71.8
FY25	788.098	15.397 B	20.301 B	75.9
Growth rate	3.91	8.68	2.82	4.1
Data Source: Ministry of Civil Aviation				

The Air cargo market also witnessed stable growth in the past year. The total amount of domestic air cargo transported increased from 758 thousand tonnes in FY24 to 788 thousand tonnes in FY25, witnessing a growth of 3.91 per cent in the previous year. CTK witnessed a growth of 8.68 per cent. This occurred due to air cargo operations strengthening on longer-distance routes.

ACTK grew by merely 2.82 per cent, as no cargo fleet addition took place. The marginal increase in the ACTK may have occurred due to better utilization of passenger cargo holds. Correspondingly, the overall Weight(cargo) load factor witnessed a growth increase from 71.8 per cent to 75.8 per cent.

b. International Cargo Traffic

Table 10: International cargo Traffic (scheduled) for CY24						
	Cargo to India			**Cargo form India**		
	CY 2024	**CY 2023**	**Growth rate**	**CY 2024**	**CY 2023**	**Growth rate**
Domestic	93.528	58.353	60.27	183.106	145.312	26
Foreign	595.640	554.89	7.34	895.640	787.52	13.72
Value in 000 tonnes Data Source: Ministry of Civil Aviation						

The International Air cargo traffic witnessed large growth in the past calendar year. Both domestic and foreign operators witnessed growth rate on both *from* and *to* route to India. A total of 684.8 thousand tonnes of cargo was moved to India and 1075.4 thousand tonnes of cargo was moved from India in CY 2024. Foreign operators moved 595.64 thousand tonnes of cargo *to* India, registering a growth 7.34 per cent, and 895.6 thousand tonnes *from* India, registering a growth of 13.72 per cent.

Domestic operators moved 93.5 thousand tonnes of cargo to India, registering a growth of 60.27 per cent, and 183.1 thousand tonnes of cargo *form* India, registering a growth of 26 per cent. The large amount of international cargo moved by foreign operators represents a significant market for expansion for the domestic air cargo operators on international routes.

Table 11: Airline wise International Cargo Traffic (scheduled) for CY 2024		
	Cargo to India	**Cargo form India**
Domestic Operators		
Air India	60140	94403.8
Air India Express	11927.6	31251.9
Alliance Air	0	0
Indigo	7456.86	31216.3
Spice-jet	898.76	6794.76
Vistara	13104.80	18840.23
Total Domestic	93528.02	183106.84
Total Foreign	595741.47	895640.35
Value in Tonnes, Data Source: Ministry of Civil Aviation		

Air India and its associates have the largest share among all domestic operators in international cargo traffic, Indigo coming second. Cargo operations are carried out by utilizing the passenger belly cargo for cargo operations as large, dedicated cargo fleets do not exist. Aircraft operators are aiming at expansion of cargo operations through the addition of a dedicated cargo fleet and higher utilization of passenger belly cargo as newer aircraft addition take place.

5. Aviation Fuel Prices

5.1 Global Jet Fuel Price Monitor (IATA)

Jet fuel prices constitute the largest operating cost for airlines globally, typically 30–35% of total costs and thus remain a major determinant of airline profitability. IATA's 2025 Jet Fuel Price Monitor reflects moderate easing from the 2022/23 highs, contributing to higher airline profitability.

According to the IATA Jet Fuel Price Monitor, global average prices hovered around $110 per barrel in early 2024. This volatility is driven by geopolitical tensions (e.g., the Russia-Ukraine war, Middle East instability), supply constraints, and OPEC+ production decisions. These forces continue to impact prices.

Table 12: Global Jet Fuel Prices (ATF)				
Week Ending 25th April 2025	**Share in Global Index (per cent)**	**Dollar/Tonne**	**Prior month average (per cent)**	**Prior Year's Average (per cent)**
Jet Fuel Price	100%	668.31	-4.8	-14.6
Asia & Oceania	22 %	644.38	-5.0	-14.9
Europe and CIS	28%	677.75	-4.4	-14.4
Middle East	5%	624.49	-4.7	-17.1
North America	39%	679.36	-5.8	-16.7
Africa	2%	670.09	-4.6	-16.0
Data Source: IATA				

Global Fuel prices have seen a decrease of 14.6 per cent in the past year. The decrease has been driven by the reduction in crude oil prices. The Middle East, which is the largest producer of ATF, and North America, which is the largest consumer of ATF, have seen the largest price decrease in the past year. The decrease in global ATF fuel prices has impacted domestic ATF and airline ticket prices both globally and domestically.

5.2 Domestic Fuel Prices

a. Domestic Aviation Fuel Prices

Fuel cost in India is significantly higher due to taxes and logistical costs; aviation turbine fuel (ATF) often comprises up to 40% of Indian carriers' operational costs. In India, aviation turbine fuel (ATF) is subject to state-level taxation, making it one of the costliest inputs for Indian carriers. As of mid-2024, domestic ATF prices were over ₹110,000 per kilolitre in major metro airports. Rationalization of taxes and inclusion under GST has been a longstanding demand of the aviation industry. Government interventions to reduce taxes or rationalize pricing could sharply boost sector profitability.

Table 13: ATF Prices in India				
Average	**Delhi**	**Mumbai**	**Chennai**	**Kolkata**
2021-22	58,089.7	56,194.6	59,299.6	62,525.9
2022-23	113,063.6	111,836.3	116,758.6	117,553.7
2023-24	98,349	91,953.9	102,491.9	105,229.0
2024-25	100,893.6	94,466.4	104,973.4	109,898.6
2025-26	89,441.2	83,575.4	92,053.8	91,921.0
Data Source: CMIE (Apr- Apr figures), Values in Rupees/Kiloliter Note: The difference between International and Domestic ATF prices occurs due to 5% BCD and 11% excise duty tax)				

The domestic fuel prices also decreased in the past year. The fall in ATF fuel prices was seen across all major cities in India. In Delhi, which is a major aviation center in India, fuel prices dropped from 100,893.6 in FY 24-25 to 89,441.2 in FY 25-26. The decrease in fuel prices has been in line with the reduction in international fuel prices. In India, ATF prices in India have remained at a higher level compared to the global ATF fuel prices due to high Basic customs duty and excise duty applied on ATF.

6. Aviation Ticket and Seat Prices

6.1 Global Prices

Globally, ticket prices are influenced by fuel, competition, labor, and regulatory costs, showing mild increases in recent years in line with inflation and cost pressure. Airlines are increasingly deploying dynamic pricing strategies using AI and big data.
International ticket prices have stabilized with the return of capacity, but inflationary pressures, airport fees, and fuel surcharges keep fares elevated. Trans-Atlantic and Asia-Pacific routes remain costly due to aircraft shortages and high demand.

Table 14: Consumer Price Index for All Urban Consumers (CPI-U)					
Airline Fares	**Mar 2024**	**Feb 2025**	**Mar 2025**	**Mar 24 to 25**	**Feb 25 - Mar 25**
Base Year 1982-84	266.481	262.136	252.620	-5.2	-3.6
Data Source: Bureau of Labour Statistics- USA Base Year: 1982-84					

Global airline ticket prices have also seen a decrease in the past year. Though no direct metric is available for measurement of changes in global airline ticket prices, USA ticket price changes have been taken into consideration, as it is the largest airline market in the world. Airline tickets prices in the USA have seen a drop in the past year. During the March24- March25 period, airline ticket prices reduced by 5.2 per cent. The airline price reduction has occurred due to a reduction in the price of ATF. ATF prices constitute around 35 per cent of the airline ticket prices.

6.2 Domestic Airline Prices

Domestic fares have, in real terms, declined 21% since 2011, while international fares from India have dropped 38% over the same period. This fare environment is primarily the result of LCC competition, government initiatives, and improved operational efficiency. In India, ticket prices vary based on routes, demand, and competition. While regional routes under UDAN are capped to promote affordability, routes with less competition see high fares, especially during festive seasons or disruptions. Dynamic pricing models have become standard.

Table 15: Airfare Price (Normal) Economy class: Index

Month	**Mar24**	**June24**	**Sept24**	**Dec24**	**Mar25**
Index Value	197.6	196.3	196.5	203.1	211.5
Growth rate	-	-0. 6 %	0.1%	3.35%	4.1%
	7.03 %				
Data Source: Consumer Price Index, MOSPI Base Year: 2011					

The domestic airline prices saw an increase in prices. Prices, which had remained subdued till September 2024, have seen a rising trend since September 2024. In December 24, airline ticket prices saw a price rise by 3.35 per cent, while in March 25, prices rose by 4.1 per cent. Over the past one-year domestic airline ticket prices have seen a price rise of 7.03 per cent. The rise in domestic airline ticket prices stands in contrast to the global reduction in airline ticket prices and reduction in ATF prices that has occurred in the past year.

7. Government Schemes Affecting the Sector

The aviation sector is a deregulated sector where private players are responsible for key aspects of operations. The government, through policy changes, influences the aviation sector in India through the expansion of aviation to unconnected and underserved areas. The government also promotes the entry of domestic aviation companies into the international market through negotiation of bilateral air service agreements. One of the key schemes affecting the Aviation sector is:

7.1 UDAN (Ude Desh ka Aam Nagrik) – Regional Connectivity Scheme

The UDAN scheme, launched in 2016, aims to make air travel affordable and connect underserved regions. Under UDAN, fares for short-haul flights are capped, and operating subsidies offset financial risk for carriers serving less-profitable routes.

The flagship RCS-UDAN scheme has transformed regional air connectivity by making flying accessible to the common person. Since its launch in 2017, over 500 new routes and 74 underserved/unserved airports have been operationalized.

The Regional Connectivity scheme (RCS) is an overarching scheme comprising upgrading of existing brownfield airports and the development of greenfield airports. The RCS scheme also comprises of the UDAN component, aimed at the development of India's unserved, under-served, and underdeveloped regional airports with regularly scheduled flights. The scheme has been running since 2016 and has reaped large gains for the aviation sector in India.

In 2025, under the RCS scheme, the following initiative has been proposed to increase regional connectivity.

Table 16: Initiatives to increase regional connectivity

Key Innovation	Description
Seaplane Operations	To boost regional and last-mile connectivity, guidelines for seaplane operations were released on 22 August 2024. Bids have been invited for over 50 identified water bodies across the country.
Revamped UDAN Initiative	A revamped version of the UDAN Scheme would be launched to add 120 new destinations and enable affordable air travel for 4 crores more passengers over the next decade. The focus will be on expanding connectivity to remote, hilly, and aspirational

	districts, especially in the Northeastern region, with special support for helipads and smaller airports.
Krishi UDAN Scheme	Designed to support farmers and improve value realisation for agri-produce, Krishi UDAN facilitates timely and cost-effective air logistics, particularly from Northeast, hilly, and tribal regions. This scheme currently covers 58 airports, with a focus on 25 priority airports and 33 others nationwide.
Airport Infrastructure Development	Government has committed to developing 50 new airports over the next 5 years. This includes new greenfield airports in Bihar, expansion of Patna Airport, and development of a brownfield airport at Bihta and development of new airport in Kota and Puri.
Data source: Ministry of Civil Aviation- PIB press release dated 26th April 2025 (Release ID: 2124459)	

7.2 Benefits of the RCS scheme on domestic aviation in the past year

In FY 2023–24 alone, over 12 lakh passengers were served under UDAN routes, thereby furthering regional development, enhancing tourism, improving intra-state business connectivity, and generating rural employment. Connectivity has improved in Northeast India, Jammu & Kashmir, and tribal areas. Routes such as Delhi–Hissar and Hyderabad–Nanded have seen passenger traffic surge. The scheme has boosted tourism, employment, and economic activity in remote areas. The RCS scheme has also assisted in the overall development of the aviation sector through the development of new routes, expansion to unconnected regions, and increasing passenger traffic. Some of the key outcomes of the RCS scheme in 2024 were:

a. In 2024, domestic air passenger traffic more than doubled to 22.81 crore compared to 2014. The past year also saw crossing the milestone of 5 lakh passengers in a single day on November 17, 2024[1].

b. In 2024, 102 new RCS routes were launched, which includes 20 in Northeastern States. The scheme facilitated affordable air travel for 1.5 crore passengers and now aims to extend this to 4 crore more in the next decade through a revamped UDAN initiative to add 120 new destinations.

8. Recent Government Legislation Impacting the Aviation Sector

Important Government legislation & reforms impacting the aviation sector are:

8.1 Aircraft (Amendment) Rules, 2023: Simplifying aircraft leasing and maintenance norms and strengthening regulatory oversight.

8.2 Drone Rules 2023: Boosting the use of drones in logistics, surveillance, and agriculture.

8.3 Bharat Drone Shakti initiative: Supporting indigenous manufacturing and pilot training.

8.4 Ongoing updates to BCAS (Bureau of Civil Aviation Security) standards to align with ICAO recommendations.

8.5 Protection of Interest in Aircraft Objects Bill, 2025 - The legislation passed in April 2025, aligns India's aircraft leasing and financing framework with international standards set by the Cape Town Convention, 2001. The legislation addresses gaps in legal enforcement. The Bill is designed to reduce aircraft leasing costs for Indian carriers, which were previously 8-10% higher than in other nations. This is expected to boost investor confidence in India's burgeoning aviation market significantly. The intended impact of the Bill includes reduced risk premiums, lower interest rates, and lease costs for passengers and shippers. It also aims for better contract enforceability and repossession certainty, fostering the growth of domestic leasing hubs such as GIFT City.

8.6 Bharatiya Vayuyan Adhiniyam 2024 – The act aims at modernising India's aviation sector by re-enacting and updating the colonial-era Aircraft Act, 1934. The acts aim to align domestic regulations with international conventions such as the Chicago Convention and the International Civil Aviation Organization (ICAO) and streamline regulatory processes by simplifying license issuance. It also removes redundancies and introduces provisions for appeals[2]. The act also aims to foster indigenous manufacturing under Make in India initiatives.

8.7 Recent initiatives for digital passenger manifest and Digi Yatra for a seamless travel experience.

9. Announcements affecting the Aviation sector

9.1 Airport Announcements

The expansion of the aviation sector is based on strengthening the aviation infrastructure, this is done through construction of new airports and the expansion of existing ones. The government has announced plans to undertake development of 50 airports in the next 5 years with an estimated $240 billion in capital infrastructure, and 220+ airports by 2035. Major investment is in airport infrastructure, with new terminals and expansion (e.g., Delhi, Mumbai, Bengaluru).

The government also aims to double the number of operational airports to 300 by 2047. In line with the vision, greenfield airports construction has been announced in the cities of Kota, Parandur, Kottayam, Puri, Purandar, Car Nicobar, Minicoy, and Bhita. With an output multiplier of 3.25x and an employment multiplier of 6.1x, airport development will help in creating high-value technical jobs in India.

These Airport Announcements can be subdivided into:

- **Greenfield Airports**: Approval for new airports in Jewar (Noida), Navi Mumbai, and Purandar (Pune).
- **Airport Modernization**: Expansion of terminals at Chennai, Guwahati, and Lucknow under the Airports Authority of India (AAI) modernization plan.
- **Privatization**: Several airports including Jaipur and Ahmedabad handed over to private operators (Adani Group) for enhanced efficiency.

9.2 Aircraft Order and Addition to the Fleet

Eyeing the growing aviation market, major airlines in India are expanding their fleets by ordering new aircraft. All major players have ordered large numbers of aircraft in the past few years.

Aircraft Orders and Fleet Expansion

- **Air India** placed a historic order for 470 aircraft with Airbus and Boeing.
- **IndiGo** announced an order for 500 aircraft from Airbus, the largest ever by a single airline.
- **Akasa Air** continues its fleet ramp-up, aiming for 70 aircraft by 2027.

The large aircraft order by all major players represents the increasing optimism in the Indian Aviation sector.

9.3 Pilot Training Announcement

The growing aviation sector is also seeing increasing demand for Pilot training in India. Large aircraft orders have driven government-backed programs to expand aircraft maintenance and pilot training academies, especially in underserved regions. The Ministry of Civil Aviation has announced the establishment of 15 new Flying Training Organisations (FTOs) at airports across India. India currently faces a shortage of commercial pilots, with nearly 1,000 new pilots required annually. Partnerships with international organizations aim to enhance training standards and address forecast pilot shortages.

All major airlines have announced the expansion of pilot training through the expansion of pilot training facilities and the ordering of Pilot training aircraft. To increase the pool of candidates who can apply, the Government is mulling the relaxation of the educational criteria, by allowing arts and commerce students to join for pilot training.

9.4 2025 India-Pakistan Conflict and Implications for Air Routes

Geopolitical tensions have led to restricted airspace usage over Pakistan. The recent 2025 India-Pakistan conflict spilled over the civil aviation sector in India. The conflict led to serious implications for the aviation industry in India, both financially and economically. Airspace closures and detours increase fuel consumption and flight time for Indian carriers, with detours averaging up to 90 extra minutes on key international flights. Diplomatic normalization could reduce costs, while persistent tensions pose operational and strategic risks. International Flights utilizing Pakistan's airspace to enter India were diverted and were constrained to utilise the longer route via Gujarat. Further, civil operations from 32 major airports were suspended, and many flights were cancelled. Geopolitical stability remains crucial for uninterrupted international operations and economic efficiency.

The conflict also caused a reexamination and restructuring of the ground handling operation in India. Ground handling operations at the major airports of Delhi, Mumbai, Bangalore and Hyderabad have been carried out by the Turkish firm, Celebi Aviation Holding. Turkey supported Pakistan by providing Weapons and critical defense equipment during the conflict. In response to support provided by Turkey, India, under the campaign of "Boycott Turkey," suspended business dealings with Celebi Aviation.

10. Budget Allocation

Table 17: Components of Central Budgetary Allocation				
	23-24 (A)	**24-25 (B)**	**24-25 (R)**	**25-26 (B)**
Central Sector Schemes/Projects				
Regional Connectivity Scheme	822.22	502	800	540
Krishi Udaan Scheme		0.01	0	
Production Linked Incentive (PLI) Scheme for Drone and Drone Component	31.22	57	57	
Customs Cost Recovery (CCR) charges to AAI and AAICLAS for tier II / III cities' airports	-	-	124.17	142.75
Total - Central Sector Schemes/Projects	**853.44**	**559.01**	**981.17**	**682.75**
Autonomous Bodies				
Indira Gandhi Rashtriya Udaan Academy and National Aviation University	9	10.02	8.02	10.02
Airports Economic Regulatory Authority	29.88	17.45	22.2	20
Total - Autonomous Bodies	**38.88**	**27.47**	**30.22**	**30.02**
Total - Public Sector Undertakings				
B. Developmental Head Other - Northeastern Areas	-	201.97	201.97	239.97
C. Investment in Public Enterprises- Airports Authority of India	4612.62	3448.14	3912.92	4193.83
Total	**4612.62**	**3448.14**	**3912.92**	**4193.8**
Value in Crores Data Source: Central Budget				

The government, via budgetary allocation, supports the development of the Aviation sector in India. In line with the growing importance of the aviation industry, the current fiscal year has seen an increase in budgetary allocation. Overall allocation for all schemes has seen an increase in the past year. Budgetary utilization for the RCS scheme stood at 1.6 times the allocation. If the trend continues into the current year, the modest increase in allocation will again overshoot. The Union Budget 2024–25 allocated ₹5,600 crore to the Ministry of Civil Aviation. Key components include ₹1,150 crore for AAI infrastructure, ₹600 crore for RCS/UDAN, ₹100 crore for aviation skill development, and ₹250 crore for aircraft manufacturing incentives.

11.Output-Outcome Monitoring Framework (OOMF) for Aviation Sector

Table 18: Output Outcome Framework for Ministry of Civil Aviation						
Regional Connectivity Scheme						
2025-26	**Output**	**Indicators**	**Target 2025-26**	**Outcome**	**Indicators**	**Target 2025-26**
540	Airport Infrastructure: Requisite Infrastructure to be upgraded / revived by AAI and States based on the proposals awarded under the Scheme	1.1. Number of new RCS Airports/ helipads/ water drones to be upgraded/ revived	13	1. Improved Regional air connectivity	1.1 Number of passengers travelled on RCS flights (in lakhs)	20
		1.2. Number of new RCS Routes commenced during the FY 2025-26	100		1.2 Number of RCS Flights operated	40,000
	2. RCS Air connectivity by connecting Airports / Heliports / Water aerodromes	2.1. Number of new RCS Airports operationalized	12			

	through Routes					
	3. Connectivity in Northeastern Region (NER) under RCS	3.1. Number of new RCS Airports/ Heliports/ Water aerodromes connected in NER	04	2. Improved Regional air connectivity in NER	2.1 Number of new RCS Flights operated in NER (in lakhs)	1.20
		3.2. Number of new RCS Routes operationalized in NER	20		2.2 Number of new destinations connected in NER	4

The government, via the Output-Outcome budget, indirectly set forth targets for the development of the aviation sector. The Current year would see the revival/ upgradation of 13 airports, and the operationalization of 12 airports. The OOMF includes metrics, such as the number of airports/airstrips revived, regional routes operationalized, the number of new pilot licenses issued, and percentage increase in total passenger/cargo handling.

The year would also see the commencement of more than 100 new RCS routes. To boost connectivity to the Northeastern states, 4 new RCS airports and 20 new routes will be operationalized. Airport upgradation is expected to cause 20 lakh passengers to travel on the new RCS routes, while increasing connectivity in the Northeast Region RCS flight passengers is expected to increase by 1.2 lakh.

The OOMF for 2024–25 includes expansion of RCS routes by 100 new routes; passenger traffic increase by 10%; reduction in turnaround time at airports; increasing cargo capacity by 12%; and operationalizing new FTOs and MROs (Maintenance, Repair, and Overhaul units).

12. Financial Performance of Major Firms

Table 19: Financial Performance of Airline Operators							
Company Name	**Sales**	**PAT 12 Month**	**Operating Profit Margin (per cent)**	**Sales Var 3 Yrs**	**Profit Var 5 yrs**	**Sales Growth (per cent)**	**Profit Growth (per cent)**
Interglobe Aviation	76476.3	6073.80	20.80	67.58	46.51	17.22	-15.52
SpiceJet	5557.0	-147.80	-13.73	11.15	16.80	-25.66	71.11
AfCom	165.37	-7.25	13.89	19.40	26.82	20.50	89.52
TAAL Enterprises	186.9	46.66	30.38	21.22	2.04	1.14	37.56
Global Vectra	557.7	32.14	27.52	119.83	99.86	75.36	-241.60
Data Source: Screener, values in rupees crore Note: Only listed company data has been included, data till Dec-24.							

All listed aviation companies except SpiceJet have seen sales growth, while all companies except SpiceJet and Afcom have seen growth in PAT. IndiGo is consistently profitable, reporting strong net income on the back of a low-cost carrier (LCC) strategy and a high utilization rate. IndiGo posted record profits in FY 2023–24 due to high demand and improved yields.

Air India (post-privatization) has improved efficiencies but still faces challenges in integration, service improvement, network expansion and cost control. Other private players, such as Akasa Air and Vistara, show growth but are exposed to industry-wide margin pressures due to input cost volatility. Akasa Air witnessed strong load factors and revenue growth. The low sales growth for SpiceJet may have occurred due to the grounding of 10 aircraft in the past year. These aircraft were expected to be operationalized by April 2025. SpiceJet struggles with debt but aims to regain stability with new investments. Overall, airline profitability is gradually returning after pandemic losses, although cost pressures remain.

All companies, except Interglobe Aviation, saw a profit growth rate in the last year. Overall, the growing nature of the Indian aviation sector is positively impacting the financial performance of the aviation companies in India. With an output multiplier of 3.25x and employment multiplier of 6.1x (per 100 jobs) the sustained investment increase will see a large increase in economic prosperity for the overall economy.

13. Future Investments

The growing aviation sector would see increasing investment and traffic growth in the days to come. Projections for investment in the aviation sector are:

Table 20: Value of Project Commissioned					
Year	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Value of Project commissioned	42,554.78	10,151.36	16,351.13	10,507.81	9,878.45
Data values in Rupees Crore; Data Source: CMIE					

The value of projects commissioned in the aviation sector has seen a large variation over the years. In 2023-24, the value of project commissioned stood at 42,554.7 crore rupees, the large spike in projects commissioned can be attributed to 2024 being the pre-election year. In 2024-25, the value of the project commissioned stood at 10,151.36 crore rupees. The current year would see a project of 16,351.1 crore rupees commissioned; an uptick compared to last year. The increase in projects commissioned can be attributed to newer greenfield airports coming online while existing airports will see infrastructure enhancements to increase capacity addition. There are significant future investments in green aviation initiatives (e.g., fleets with higher fuel-efficiency, electric aviation, sustainable aviation fuels). International lenders and private equity groups remain interested due to robust demand fundamentals.

With an output multiplier of 3.25x and an employment multiplier of 6.1x (per 100 jobs), the sustained investment hike will see a large increase in economic prosperity for the overall economy.

Some highlights of future investments are:

- Over ₹98,000 crore worth of investment planned in airport infrastructure over the next five years.
- Emergence of Maintenance, Repair & Overhaul (MRO) hubs in Nagpur, Hyderabad, and Bengaluru.
- Development of aviation manufacturing clusters and drone corridors.
- International partnerships for pilot training and technical exchange.

14. Challenges

Despite being the third largest domestic aviation market in the world and being in a growing phase. The aviation sector in India is marred by many challenges, which are unique to the composition of the Indian aviation market. These challenges relate to**:**

- **High fuel prices and taxes**, with ATF constituting a significant portion of operational cost.
- **Airport congestion,** especially in Delhi and Mumbai and infrastructure bottlenecks at congested major airports
- **Shortage of Skilled Manpower**: Pilot and maintenance technician shortages.
- **Safety and Regulation**: Ensuring airworthiness amid rapid fleet expansion.
- **Environmental Concerns**: Need for carbon offset mechanisms and green airports.
- **Geopolitical Risks**: Regional instability impacting international corridors (e.g., South Asia, Middle East).
- Volatility in currency and global demand.

A detailed elaboration of some of these issues is:

- **Aircraft Delivery**- The Civil Aviation sector in India is exclusively dependent upon foreign dependence for aircraft. This makes the sector vulnerable to external supply shocks of aircraft delivery[3].
- **Subcomponent Issues** – Aircraft Engines for the core component of civil aircraft. Delays in maintenance and repair (MRO) of aircraft engines directly impact the operational availability of civil aircraft.
- **MRO Issue**- The MRO Industry in India is underdeveloped. Though ambient MRO facility for airframe and components repair exists, these are at the low-end spectrum of MRO. For high value, technological intensive MRO, The MRO industry is dependent upon Original Equipment Manufacturer (OEM) for engine repair. This Inhibits the full development of the MRO industry in India [4].
- **Air Space Restrictions** - Global Events have a direct bearing on the aviation Industry in India. Ongoing Pakistan- India conflict has led to the flight diversions from Pakistani airspace. It also led to closure of domestic airports and diversion of domestic flights in India[5].
- **Environmental, social, and governance risk (ESG risk)** – The increased focus on ESG risk may lower the investment appetite in the aviation sector. Key areas of area of mitigation will involve greenhouse gas emissions, noise, and waste management. This may require the aviation sector to offset its emissions, undertake noise abatement measures, and reduce solid waste which may increase the cost for firms.

15. Way forward

The Indian aviation sector is the third largest in the world and continues to grow. This year experienced significant growth in domestic air passenger and cargo segments. This expansion was driven by the RCS scheme, the government's goal of strengthening existing routes, and expanding the domestic market to the Northeast. Domestic aircraft operators ordered additional planes beyond their current orders to take advantage of the growing domestic market. Passenger and cargo volumes also rose, supported by higher PLF and CLF despite the delivery of new aircraft. Lower ATF prices and higher PLF improved operators' financial health, even with some fleet groundings due to engine issues. Last year also saw significant legislative changes that will influence the country's aviation sector.

The passage of the Protection of Interest in Aircraft Objects Bill, 2025, and the Bharatiya Vayuyan Adhiniyam-2024 will make aircraft leasing easier in India by aligning domestic laws with global standards, further fueling industry growth. The recent India-Pakistan standoff temporarily affected the market by closing Pakistani airspace, leading to the shutdown of domestic airports, and impacting many RCS flights. The future growth of Indian aviation depends on how this standoff develops. The industry is at a pivotal point. With strong fundamentals, government initiatives, and rising demand, the sector is poised for steady expansion. Still, structural reforms, infrastructure investments, and policy stability are crucial to overcoming challenges.

The next decade could see India becoming a global aviation hub, connecting regions, boosting trade, and empowering citizens, truly making air travel accessible, affordable, and sustainable. Achieving this ambitious goal requires accelerating airport modernization, expanding greenfield airports in Tier 2 and 3 cities, rationalizing ATF taxation through GST inclusion, and addressing high-cost structures. It involves continuing with UDAN and other regional schemes to broaden the air travel base, promoting sustainability with SAF (Sustainable Aviation Fuel), establishing a national aviation university for skills development, and digitizing processes (e.g., Digi Yatra, e-boarding) to enhance throughput and security.

There are also important issues of strengthening aviation financing via GIFT City, investing in pilot and engineer training, and aligning with global best practices. A stronger partnership between government and industry is essential for delivering a safe, sustainable, and customer-centric aviation system for India's continued economic growth. Additionally, enhancing international cooperation through bilateral and multilateral air service agreements will be the key to sustained growth.

References

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[4] NITI Aayog – October 2022, MRO in India -Trends Challenges and Way forward Link: https://www.niti.gov.in/sites/default/files/2022-10/MRO_Report-FINAl.pdf

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Notes

- **Passenger Traffic Metrics**

Revenue Passenger Kilometer (RPK) *– No of Paying passenger * Distance travelled*

It is a measure of the volume of passengers carried by the airline. It is an indicator of demand in industry.

Available Seat Kilometer (ASK)- *No of Seats in a flight * distance flown*

It is a measure focusing on carrying capacity. It can be used to optimize fleet utilization and make better decisions on fleet planning.

Passenger Load Factor (PLF) *– RPK / ASK = No of revenue passenger / No of available seats*.

- **Cargo Traffic Metrics**

Cargo Ton Kilometer (CTK)- *Ton of Freight Carried * distance flown*

Measures actual cargo traffic.

Available Cargo Ton Kilometer (ACTK)- *Airline cargo carrying capacity*

Measures the supply side of cargo supply. Similar to ASK in passenger traffic metric.

Cargo Load Factor (CLF)- *CTK / ACTK*

Show how efficiently the cargo carrying capacity is being utilized.