

AVIATION With costs rising, Re falling, will low-cost flying be a thing of past?

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The Indian aviation sector is set for significant growth in 2025, driven by aircraft deliveries and airport upgrades. However, not much relief is expected on airfares despite increased capacity due to elevated costs.

Indian airlines have over 1,600 aircraft on order, led by IndiGo with 910, Air India with 570, and Akasa Air with 150. By FY26, IndiGo's fleet will reach 410, and Air India aims for 243. Supply chain challenges at OEMs, such as Boeing's 737 Max delays, may slow deliveries. "While capacity addition for the industry will continue, supply chain issues at the OEMs also mean this addition could be gradual," said Kinjal Shah of Ica. Around

190 aircraft are expected in FY25 and 120 in FY26, doubling the current fleet.

High operating costs, driven by increased fuel prices and a depreciating rupee will keep airfares high. "Airlines' ability to increase yields proportionate to their input cost increases will be key to expanding profitability margins," Shah said.

According to Ameya Joshi of Network Thoughts, "The days of cheap airfares are behind us. Fares in 2025 will largely mimic this year, except in cases of drastic oil price shifts."

Domestic passenger traffic is projected to grow 7-10% in FY25, reaching 164-170 million, while international traffic is expected to rise 15-20%, aided by new e-visa policies. Airport expansion, including new ones at Navi

Mumbai and Jewar, and upgrades in Delhi and Mumbai, will support 12% annual growth through FY28.

Indian carriers aim to expand international traffic at 14% CAGR through FY28, supported by wide-body aircraft and underutilised slots. However, bilateral rights in key markets like Dubai and Singapore are nearly exhausted. "This is a play of how Indian carriers can tip the scales in their favour when negotiating bilateral rights or exploring new destinations," Joshi said.

While infrastructure and demand are growing, passengers should brace for high fares in 2025.

