

Access India

Equity Insights

July 2025

The Indian Middle Class takes flight



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India currently logs the 3rd highest passenger traffic behind only the USA and China. After a dip in the immediate aftermath of the pandemic, air travel has recovered swiftly. Since 2020, air travel in India has been growing an annualised 11.7%, higher than the global annualised average growth of 9.7%.

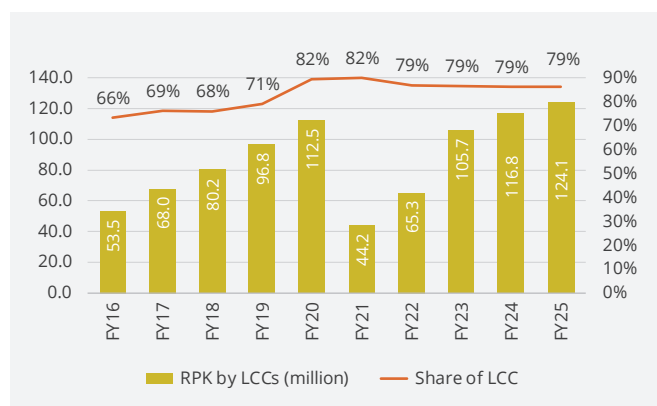
There are several macro tailwinds for the growth in the Indian aviation sector, A) A large domestic population, B) Low penetration of air travel C) A middle class aided by improving incomes, D) An improving aviation ecosystem and E) Policy measures aimed at improving regional connectivity. Additionally, reducing competition brought about by consolidation among airlines and grounding of a couple has led to improved profitability for players.

The tailwinds to growth

1. Dominance of Low-Cost Carriers

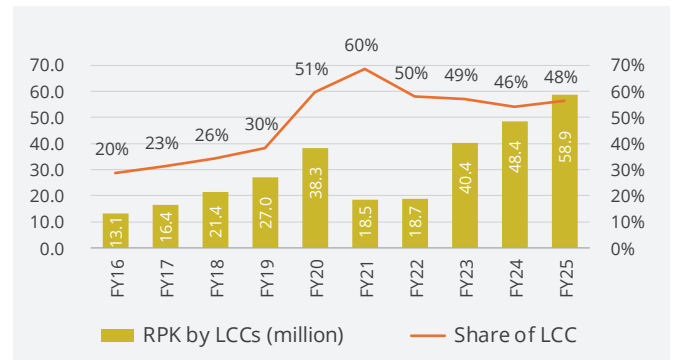
Low-cost carriers (LCCs) like IndiGo, SpiceJet and Akasa Air have become dominant in the domestic aviation market. Their market share of Revenue Passenger Kilometers (RPKs) has risen from 66% in FY (15-16) to 79% as of September 2024. This growth is attributed to their affordability and the grounding of Jet Airways.

LCCs account for 3/4th of the Indian Domestic market



Note: RPK = No. of passengers X Kilometers flown
Source: DGCA, Crisil Intelligence

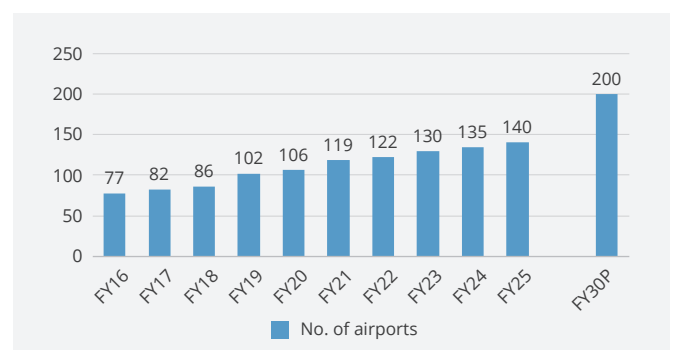
LCCs have also expanded into international routes, increasing their share from 20% in FY16 to 48% in FY25



Source: DGCA, Crisil Intelligence

2. Growing Airport Landscape

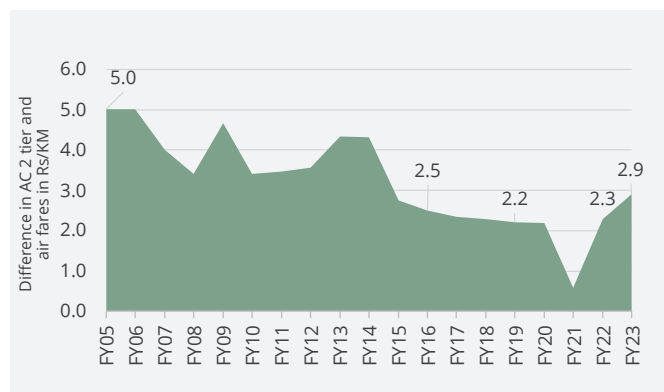
The Indian aviation market is known to be a supply driven market viz creation/addition of supply followed by deployment of flights with some stimulus leads to healthy passenger flows. The number of airports in India is on an upswing due to the government's efforts to improve air connectivity and boost economic growth. The UDAN scheme, launched in CY16, aims to connect underserved and unserved airports, making air travel more accessible and affordable. Additionally, the growth of the Indian economy and increasing demand for air travel have led to a surge in airport development, with many new airports being built or upgraded to cater to the rising demand. The number of operational airports has almost doubled between FY16 and FY25. The Indian government is aiming to operationalize more than 200 airports by CY30.



Source: Airports Authority of India

3. Narrowing Price Differential with Air-conditioned Trains

Airfares fell significantly between fiscals 2016-2020 due to competitive intensity. On the other hand, introduction of premium trains and dynamic pricing on few routes of the Indian railways led increase in train fares and thereby narrowing of the cost gap between air travel and Air Conditioned 2-tier train coaches. This cost gap declined from Rs 5 per km to about Rs 2.3 per km in fiscal 2022. Although the differential has expanded in fiscal 2023, however, improved connectivity, convenience and time advantages continue to boost air-travel.



Source: Indian Railways, Company Reports, Crisil Intelligence

4. Connectivity beyond metro cities

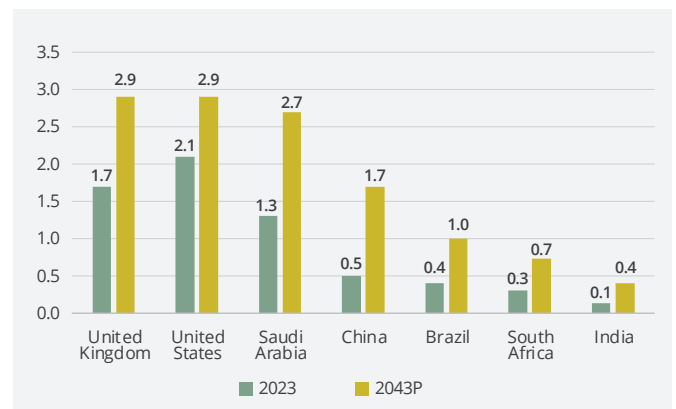
Airports in metropolitan cities accounted for 68% of air passenger traffic in FY15. However, due to increasing demand for air travel from non-metro destinations, improving airport infrastructure in these cities, availability of high-yielding traffic, and rising congestion at metro airports, airlines have started looking at serving non-metro destinations. The share of non-metro passenger traffic has risen to 38.7% in the first nine months of FY25 from 32.3% in FY15, and the shift is expected to continue as airlines deploy an ever-increasing fleet to newer destinations and new airports come up in non-metro areas.

5. Growing Wings: Fleet Size of Indian Airlines on the Rise

The Indian airline industry is witnessing a significant expansion in its aircraft fleet, driven by the growing demand for air travel, privatisation of India's state carrier and the government's efforts to boost air connectivity. Indigo and Air India together have about 1500 orders pending with Airbus and Boeing as of March 2025.

6. Low Air Trips Per Capita

As of CY19, India ranked 147 among 203 countries based on the number of air trips per capita at 0.12, below other developing nations such as Indonesia, Sri Lanka, Mexico, Vietnam and South Africa. With improving incomes, airline and airport capacity, and other macro-economic factors mentioned above, the size of opportunity for growth in demand for air travel remains high. As per Airbus, even by CY43, India would still be lower than China's air trips per capita levels of CY23.



Note: Data for CY23

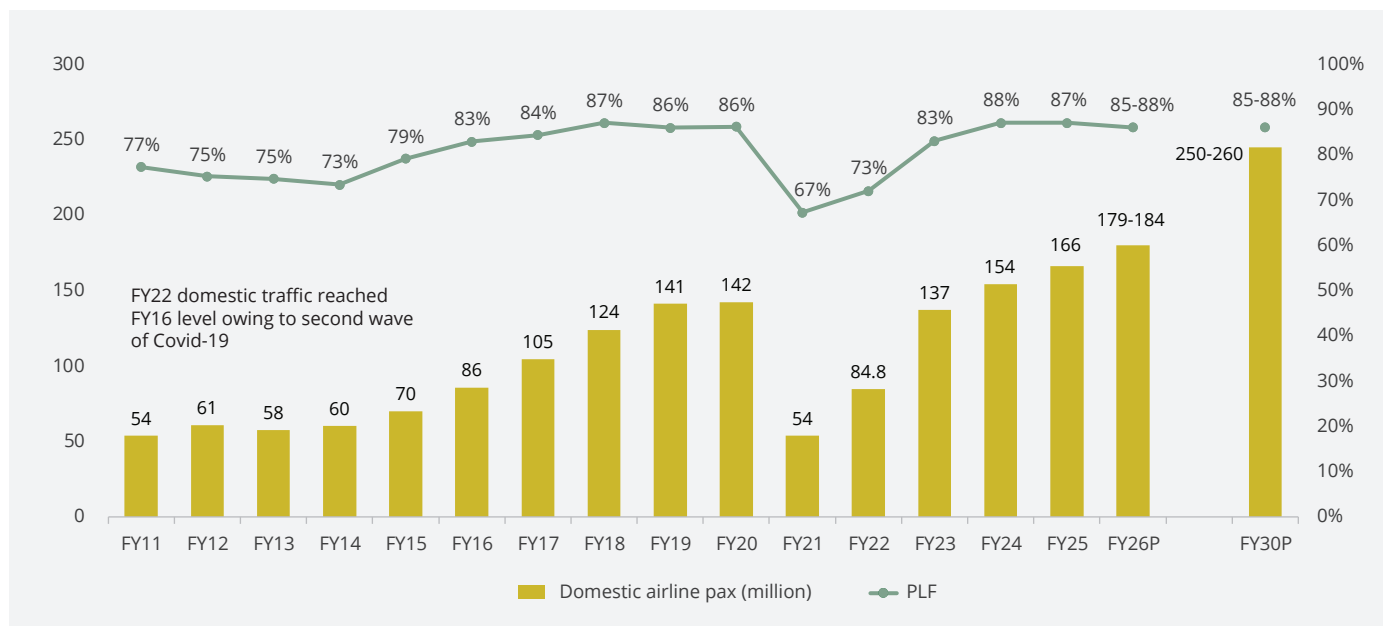
Source: Airbus commercial market forecast 2023, Crisil Intelligence

Expanding Volumes

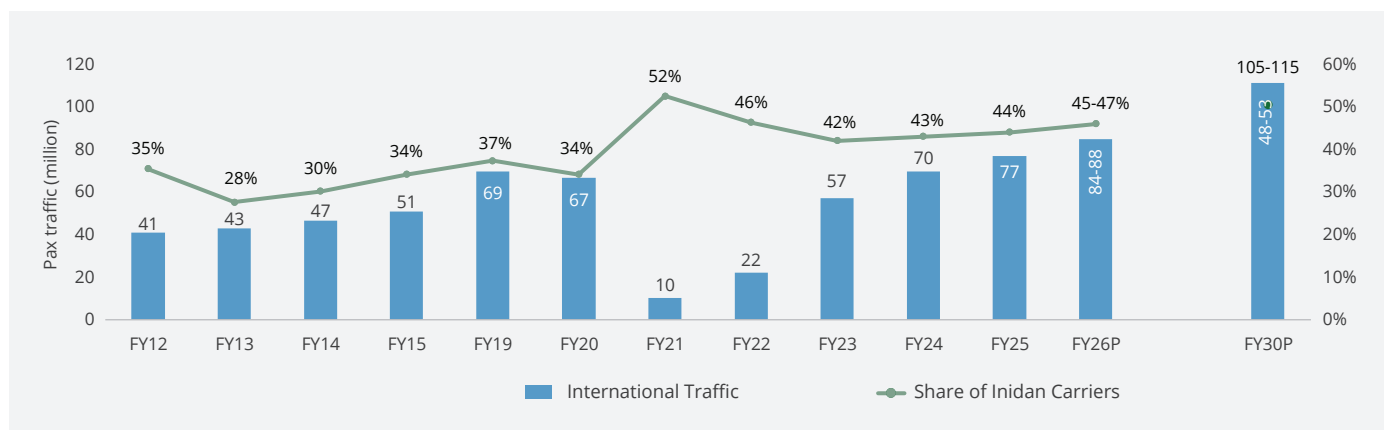
Domestic and International passenger volumes have nearly doubled in the last decade. This is attributable to strong passenger demand, push on supply side led by deliveries of new aircraft, new

airlines expanding services to international markets, visa free travel offered by 58 countries and territories and an expansion of network to destinations in South-East Asia, Central Asia by Indian carriers .

Domestic Passenger Traffic has grown 3x since 2011



International passenger traffic seen recording a faster growth than domestic traffic over the medium term








Source: Crisil Intelligence

Profitability

The airline industry has undergone a shake-up in the years preceding and post the pandemic. Players such as Jet Airways and Go Air have ceased operations on account of mounting losses while the erstwhile govt controlled Air India was acquired by the TATA group in 2023. This emerging structure has seen IndiGo and the newly restructured Air India, collectively commanding more than 90% of the market share in terms of Revenue Passenger Kilometers (RPK) during H1FY25. The ongoing issues of SpiceJet where it is now operating a sub 20 aircraft fleet nearly one fifth of what it was at its peak only solidifies the position of the other players with the new entrant such as Akasa still accounting for less than 5% of the market.

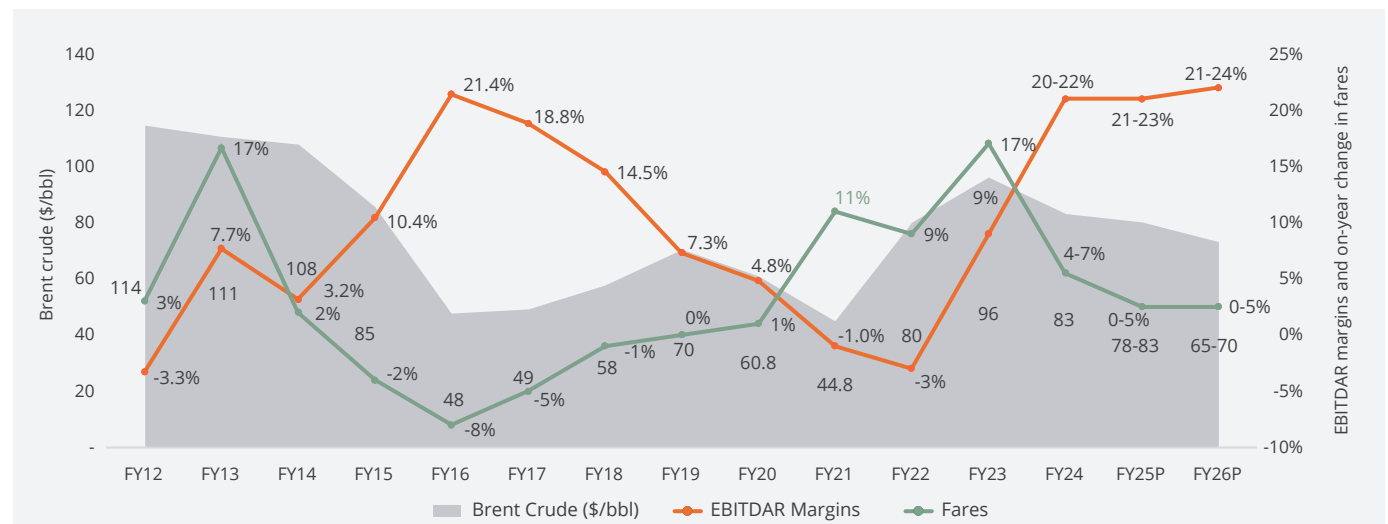
The near duopolistic nature of the Indian market has enabled the players to raise fares and improve profitability.

Indian airlines are projected to record a 15-20% year-on-year jump in revenue to ~US\$20bn in fiscal 2025, supported by 9-13% rise in volumes coupled with a flat to 5% rise in fares. In fiscal 2025, EBITDAR margins are seen at 21-23% supported by strong passenger demand coupled with elevated fares, stable fuel prices to bring down costs and steady exchange rates to prevent FX losses.

Parameters	InterGlobe Aviation	Tata Airlines Group	Others
Brands	IndiGo	AIR INDIA AIR INDIA express	    
Domestic market share ¹	61%	30%	9%
International market share ²	30%	61%	9%
Fleet ³	411	306	116
Widebody/dual-aisle aircraft in fleet ⁴	0%	20%	2%
Type of service ⁵	Hybrid & LCC	FSC and LCC	LCC

Note: ¹Market share based on RPK; domestic market share for FY25. ²Market share based on RPK; international market share for FY25. ³Data for fleet as on Apr 30, 2025. ⁴Indigo has ordered 30 A350's wide body aircraft. ⁵Data also includes data for SpiceJet's order of 737 MAX aircraft, for which the airline is negotiating an arrangement with the OEM.

Source: DGCA, Crisil Intelligence



Source: Crisil Intelligence

In fiscal 2026, airline revenue seen recording a 9-14% on-year rise to US\$23 billion attributable to 7-12% rise in volumes with flat to 5% rise in fares. In FY26, EBITDAR margins to remain strong between 21-24% driven by strong passenger demand, flat to 5% rise in fares coupled with declining fuel prices.

Conclusion

The aviation industry in India presents a compelling long term structural investment case due to several factors. The dominance of low-cost carriers (LCCs), the reduction in market competition, and new airports covering underserved non-metro markets. Furthermore, India's low air trips per capita indicate substantial growth potential as incomes rise and airline and airport capacities expand.

The improved profitability of players coupled with India becoming the 3rd largest market by passenger volumes and long term structural trends in play with India projected to be the fastest growing large aviation market, investment opportunities have turned rosier not just in the airline sector but also associated ones such as Airports, Ground Handlers, MROs and aircraft component suppliers as players look at improving the entire aviation ecosystem in the country.

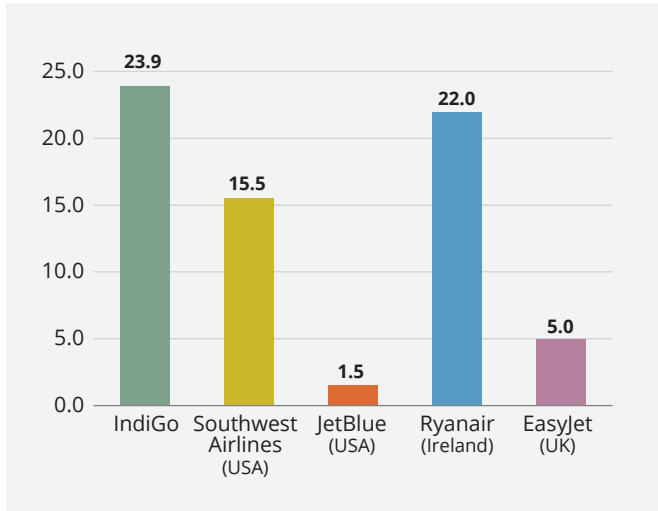
Interglobe Aviation Ltd (IndiGo)

Our conviction in the aviation market is reflected by our position in Interglobe Aviation (IndiGo). ASK Indian Entrepreneur Fund (AIEF) currently holds 5.87% of its portfolio of Interglobe Aviation.

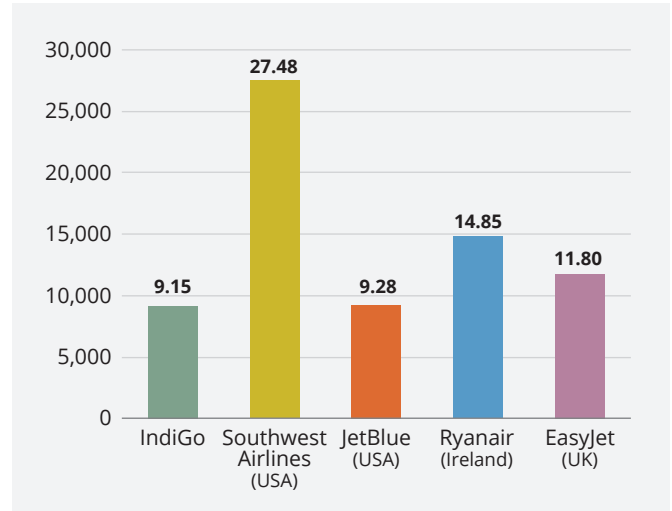
Interglobe Aviation (IndiGo) is India's largest airline (by fleet and market share) with a domestic market share of 61%. It is a player which has demonstrated superior profitability compared to its peers since inception. The airline is looking to grow from its current fleet of 411 aircraft to over 600 aircraft by 2030. It has ~1000 aircraft on order today and is rapidly expanding its international destination network.

As of April 2025, it was the 3rd biggest airline globally by market cap. Let's examine IndiGo's position among the world's leading low-cost carriers through six insightful charts (Page 6).

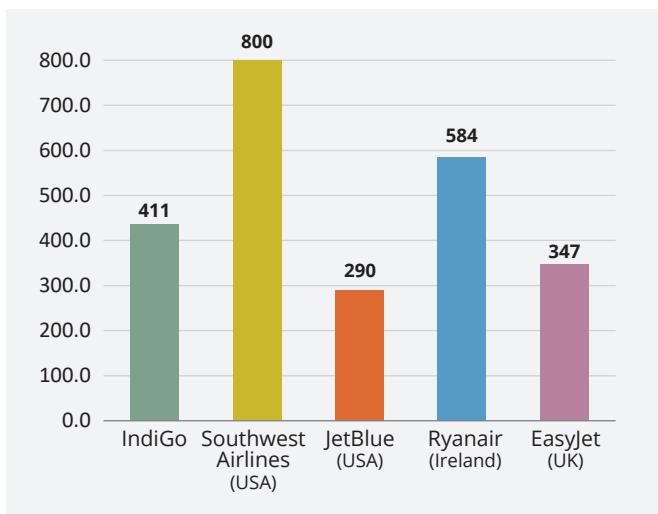
Market Cap (in US\$bn)



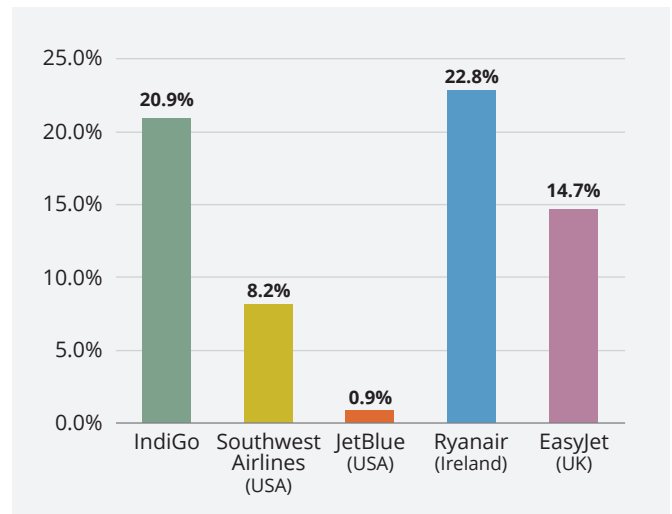
Revenue (in US\$bn)



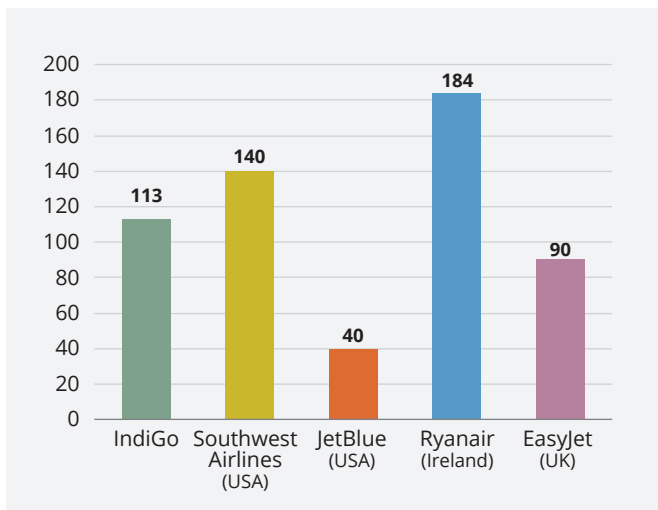
Fleet Size



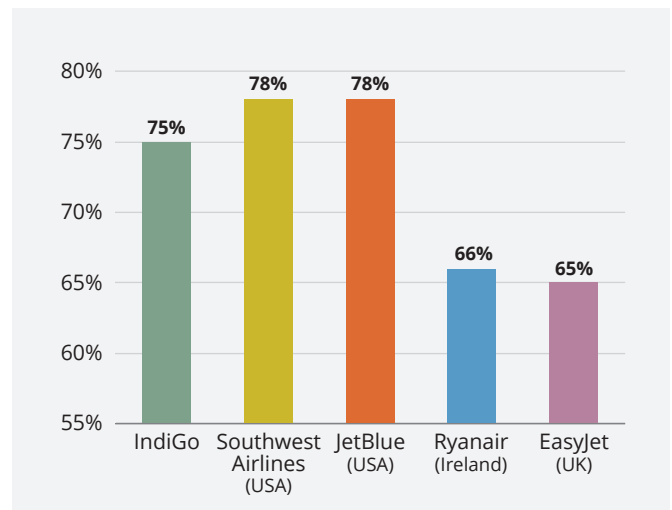
EBIDTA Margin



No. of Passengers Carried (in Mn)



On Time Performance



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