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"Equity research and financial performance evaluation of the Indian Aviation Industry"

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Abstract— The Indian aviation industry has experienced significant growth over the past decade, driven by rising passenger demand, economic expansion, and increased connectivity. However, the sector remains highly capital-intensive, competitive, and sensitive to external economic factors. This study aims to evaluate the financial performance and equity position of major Indian airlines through a comparative analysis of InterGlobe Aviation Ltd (IndiGo) and SpiceJet Ltd (SpiceJet) over the period FY2021–FY2025. The research applies ratio analysis and trend evaluation to assess profitability, liquidity, solvency, and market performance. The findings indicate variations in financial stability, operational efficiency, and investor confidence between the selected companies. The study provides insights for investors and stakeholders regarding risk assessment and investment decision-making in the Indian aviation sector.

I. INTRODUCTION

The Indian economy plays a decisive role in shaping the growth trajectory and financial performance of the domestic aviation industry, as air travel demand is closely linked to GDP growth, rising disposable income, urbanization, and expanding middle-class consumption. India has been one of the fastest-growing major economies globally, supported by strong domestic demand, infrastructure development, digital expansion, and government-led reforms. As per reports published by the Reserve Bank of India, sustained economic growth and increasing service-sector contribution have strengthened consumption and mobility trends. Government initiatives such as airport privatization, regional connectivity schemes (UDAN), and infrastructure investment under the Ministry of Civil Aviation have further supported aviation expansion. However, the Indian aviation sector remains sensitive to macroeconomic variables including inflation, interest rates, fiscal deficits, and fuel taxation policies. High Aviation Turbine Fuel (ATF) taxes at the state level increase operating costs, while rupee depreciation raises the burden of dollar-denominated lease payments and maintenance expenses. Additionally, fluctuations in crude oil prices and liquidity conditions affect profitability and capital structure decisions of airlines.

II. LITERATURE REVIEW

Previous studies on the aviation industry highlight its cyclical nature and vulnerability to macroeconomic conditions, fuel price volatility, and regulatory policies. Research by the International Air Transport Association emphasizes that airline profitability is closely linked to global GDP growth and passenger traffic expansion. Several financial studies suggest that liquidity management and cost efficiency are critical determinants of airline sustainability.

Academic research on Indian aviation indicates that low-cost carrier models have contributed significantly to market expansion by making air travel affordable. However, scholars have also noted that intense price competition reduces profit margins and increases financial risk. Studies on financial ratio analysis demonstrate that profitability ratios (such as net profit margin and return on assets), leverage ratios, and liquidity indicators are essential tools in evaluating airline performance and investment potential.

III. RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design to evaluate the financial performance of selected Indian aviation companies. The research is based on secondary data collected from annual reports, financial statements, stock price data, and published industry sources for the period FY2021–FY2025.

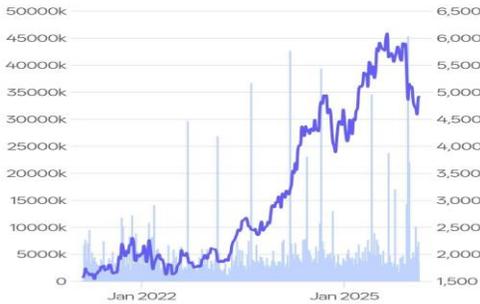
The sample includes two major airlines: IndiGo and SpiceJet. Financial performance is assessed using ratio analysis, including:

- Profitability ratios (Net Profit Margin, Return on Assets)
- Liquidity ratios (Current Ratio)
- Solvency ratios (Debt-to-Equity Ratio)
- Market performance indicators (stock price trends)

Trend analysis is used to examine performance over time, while comparative analysis is applied to evaluate differences between the selected companies. The study is limited to publicly available financial data and focuses primarily on quantitative measures.

IV. DATA ANALYSIS & INTERPRETATION

Indigo Stock Chart Explanation-



1. Strong Upward Trend (2022–2025): The stock shows a clear long-term bullish trend, rising steadily from lower levels in 2022 to peak levels around early 2025, indicating strong investor confidence and financial recovery post-pandemic.

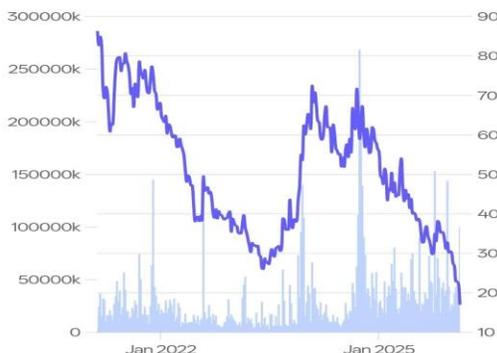
2. Post-Pandemic Recovery: After initial volatility in 2022, the share price gained momentum as passenger demand improved and operational performance strengthened.

3. High Trading Volumes During Price Surges: Noticeable spikes in trading volume coincide with sharp upward price movements, suggesting strong institutional participation and positive market sentiment.

4. Volatility with Corrections: Although the overall trend is upward, periodic corrections are visible. These pullbacks reflect industry sensitivity to fuel prices, global conditions, and quarterly earnings announcements.

5. Recent Decline After Peak: Toward the end of the chart, the stock shows a correction from its peak levels, indicating profit-booking by investors or short-term market adjustments.

SpiceJet Stock chart explanation



1. Overall Downward Trend: The stock shows a long-term declining trend from 2022 to 2025, reflecting weak financial performance and reduced investor confidence.

2. High Volatility: Frequent sharp fluctuations indicate uncertainty and speculative trading, suggesting instability in earnings and operational performance.

3. Temporary Recovery Phase: There is a short upward movement around mid-period, possibly due to positive announcements or industry recovery signals, but the momentum was not sustained.

4. Declining Price with Volume Spikes: Several volume spikes are visible during price drops, indicating selling pressure and negative market sentiment.

5. Recent Sharp Fall: Towards the end of the chart, the stock price declines significantly, showing financial stress and concerns about long-term sustainability.

Ratio Analysis Summary: indigo vs Spicejet

Ratio	IndiGo (InterGlobe Aviation)	SpiceJet
Current Ratio (FY24)	1.2x	0.3x
Current Ratio (FY25)	1.5x	0.4x
Interest Coverage (FY24)	2.9x	0.1x
Interest Coverage (FY25)	2.5x	1.2x
ROA (FY24)	14.7%	0.8%
ROA (FY25)	10.5%	5.6%
ROE (FY24)	422.2%	14.5%
ROE (FY25)	78.4%	-3.0%
ROCE (FY24)	633.3%	-3.5%
ROCE (FY25)	137.3%	-26.5%
Debt to Equity	Nil/Low	Negative/Modest



Interpretation:

1. Liquidity Position

IndiGo shows a healthy improvement in current ratio (1.2x to 1.5x), indicating stronger short-term solvency and better working capital management. In contrast, SpiceJet has a very weak current ratio (0.3x–0.4x), signalling liquidity stress and difficulty in meeting short-term obligations.

2. Debt Servicing Capacity

IndiGo maintains strong interest coverage (2.9x to 2.5x), reflecting comfortable earnings to cover finance costs. SpiceJet's extremely low coverage in FY24 (0.1x) and modest recovery in FY25 (1.2x) indicate financial strain and higher solvency risk.

3. Profitability Performance

IndiGo demonstrates superior operational efficiency with consistently strong ROA, ROE, and ROCE, though ratios are unusually high due to a low equity base. SpiceJet shows weak profitability, negative ROCE, and declining ROE in FY25, reflecting operational inefficiencies and financial instability.

4. Overall Financial Strength

IndiGo appears financially stable with low debt and strong returns, making it fundamentally stronger in liquidity, solvency, and profitability. SpiceJet remains comparatively risky, with weak liquidity, negative capital returns, and moderate leverage concerns despite slight improvement in FY25.

V. FINDINGS & RECOMMENDATIONS

Findings of the Study:

The analysis shows that IndiGo holds a strong leadership position in the Indian aviation industry with stable revenue growth and high passenger demand after the COVID-19 recovery. The company has experienced a strong improvement in profitability due to better demand, efficient yield management, and cost control measures. Its low-cost carrier model, supported by a single aircraft fleet and operational efficiency, helps maintain better operating margins compared to competitors. However, the stock trades at high valuation multiples, reflecting strong investor confidence but also indicating potential valuation risk. Despite improved financial performance, IndiGo still faces moderate risks due to factors such as fuel price volatility, currency fluctuations, and lease obligations.

In contrast, SpiceJet has shown a long-term declining stock trend, indicating weak investor sentiment and structural challenges. The company has struggled with inconsistent profitability, declining revenue growth, and several loss-making years. High debt levels and a low interest coverage ratio indicate financial stress, while declining promoter holding and pledged shares raise concerns about corporate governance. Additionally, the stock remains highly volatile and is often driven more by speculation than strong fundamentals.

Recommendations:

Based on the analysis, IndiGo appears suitable for long-term investors due to its strong market position, operational efficiency, and growth potential. However, investors should monitor valuation levels and consider investing during market corrections while also keeping track of external risks such as aviation turbine fuel prices, currency movements, and regulatory changes. From a strategic perspective, the company should focus on expanding international routes, strengthening ancillary revenue streams, and maintaining its cost leadership strategy. On the other hand, SpiceJet may only be suitable for high-risk or speculative investors and is not recommended for conservative or long-term investors. The company needs to prioritize financial restructuring by reducing debt, improving liquidity, and strengthening its interest coverage ratio. It should also focus on improving corporate governance by reducing promoter pledge, increasing transparency, and stabilizing management practices. Additionally, operational improvements such as route optimization, better fleet utilization, and sustainable revenue growth strategies are necessary for long-term stability.

VI. CONCLUSION

The present study aimed to evaluate the financial performance and equity investment potential of the Indian aviation industry through a comparative analysis of InterGlobe Aviation Ltd (IndiGo) and SpiceJet Ltd (SpiceJet). The research incorporated ratio analysis, trend evaluation, stock performance interpretation, and industry-level assessment to determine relative financial strength and investment suitability.

The findings reveal that the Indian aviation sector remains highly sensitive to macroeconomic variables such as fuel prices, exchange rate fluctuations, regulatory policies, and demand cyclicality. The COVID-19 pandemic severely disrupted industry operations; however, the post-pandemic recovery has been uneven across firms.



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IndiGo has demonstrated relatively stronger resilience and operational efficiency compared to its peer. The company benefits from a cost-efficient low-cost carrier (LCC) model, standardized fleet structure, higher passenger load factors, and effective revenue management strategies. Post-pandemic financial recovery has been marked by improved profitability, better operating margins, and stronger investor confidence, as reflected in the upward stock price trend. Although the company trades at premium valuation multiples, this reflects market expectations of sustained growth and financial stability. While exposure to aviation turbine fuel (ATF) prices and foreign exchange risk remains a structural challenge. In contrast, SpiceJet has faced prolonged financial stress characterized by weak revenue growth, inconsistent profitability, high leverage, and low interest coverage and liquidity pressures further weaken investor confidence. Although the company has undertaken debt restructuring measures and cost control initiatives, the overall financial structure remains fragile. However, the Indian aviation sector remains sensitive to macroeconomic variables including inflation, interest rates, fiscal deficits, and fuel taxation policies. High Aviation Turbine Fuel (ATF) taxes at the state level increase operating costs, while rupee depreciation raises the burden of dollar-denominated lease payments and maintenance expenses.

Additionally, fluctuations in crude oil prices and liquidity conditions affect profitability and capital structure decisions of airlines.

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