

Grant Thornton Aviation Digest: Quarterly Aviation Insights

January 2025



The Indian aviation sector experienced a massive uptick in their scheduled airline capacity, which has gone up by almost 9% with 240 million seats across both domestic and international markets. In the last 20 years, the Indian aviation sector has grown by 8.7% annually.

The major metropolitan airports of India are also poised for a rise in their status as global megahubs. Delhi Airport (DEL) has gone up to the 24th position while Mumbai (BOM) now stands at 44th as per the OAG Megahubs 2024 report. In 2024, 1,047 airport pairs were connected across domestic and international destinations, which is an increase of 11.08% from 2019.

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The current climate in Indian aviation is markedly pointed towards sustainability and increased connectivity. Announcement in Union Budget of a modified UDAN scheme is in line with the industry's expectations and will build on the success of the UDAN scheme. This is a welcome step towards further penetrating India's underserved market and is set to boost tourism and trade. The proposed addition of 120 new destinations under the scheme will carry 4 Crore additional passengers over next 10 years have a multiplier impact on the overall economy by accelerating growth from Tier 2 and Tier 3 cities. The announcements related to air cargo infrastructure upgrades and process streamlining will ease the trade of perishable items and benefit the agri-economy.

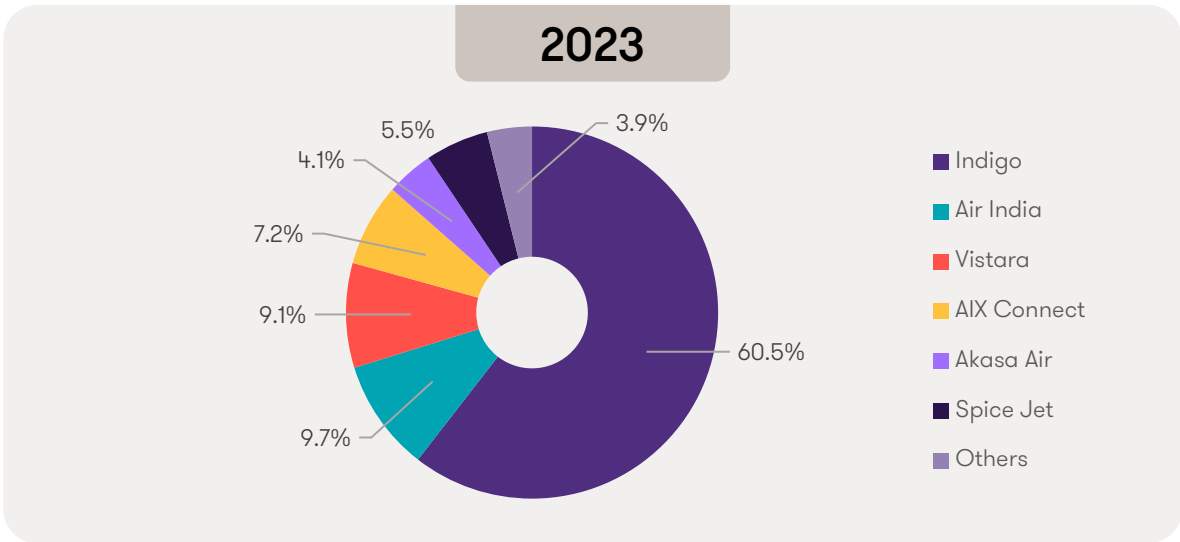
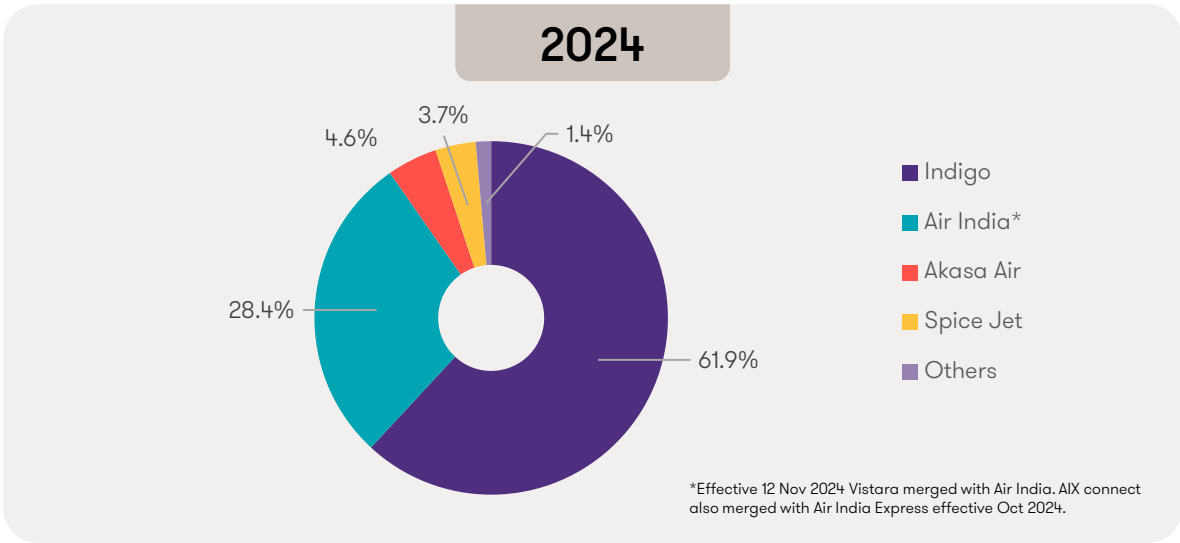
Further, the continued expansion of UDAN scheme is likely to give fillip to new and existing regional airline operators as well as act as an important feeder to larger airlines for the profitable international routes. These are positive developments for the industry, which will give wings to the ambitions of a Viksit Bharat.



Ashish Chhawchharia

Partner and Aviation Industry Leader
Grant Thornton Bharat

Domestic passenger market share of Indian airlines as per Directorate General of Civil Aviation (DGCA) data:



At the end of 2024, Vistara, which was co-owned by the Tata Group and Singapore Airlines (SIA), merged with Air India. As part of the deal, SIA invested INR 20,585 million (approximately USD 250 million) in Air India for a 25.1% stake in the enlarged Air India group. Air India also acquired AirAsia India and merged it with its low-cost subsidiary, Air India Express, to bolster its fleet and market presence. The merger, which is expected to be completed by March 2025, will create one of the world’s largest airline groups, setting the stage for a global Indian fleet.

Air India is setting up a Basic Maintenance Training Organisation (BMTO) programme to train aircraft maintenance engineers (AMEs) in India. It will be based in the Bengaluru Airport City Campus and is expected to be operational by 2026. This programme will help develop a pool of maintenance engineers in the country and support progressive fleet expansion. It is expected to strengthen the overall aviation sector in India, stimulate the MRO ecosystem, curb maintenance costs, and increase operational efficiency. This partnership will contribute to 1,200 new job opportunities in Karnataka.

The year that was

On 17 November 2024, the Indian aviation sector achieved a new milestone, with domestic passenger numbers surpassing the 5-lakh mark for the first time, showcasing India's growing prominence in the global aviation landscape. In a single day, 3,100 planes took off, with 5,05,412 domestic passengers travelling across the country.

Major developments took to the runway:



RCS-UDAN launched on 21 October 2016, celebrated its 8th anniversary, with 619 routes and 88 airports operationalised since the launch of the scheme. Furthermore, 102 New RCS routes commenced in 2024, of which 20 new RCS routes commenced in the country's northeastern states. 12 Aerodromes, including 4 heliports, were also operationalised.



In 2008, the Government of India (GoI) accorded 'in-principle' approval for setting up **greenfield airports** across the country. Out of the 21 authorised greenfield airports, 12 have been operationalised; namely Durgapur, Shirdi, Sindhudurg, Pakyong, Kannur, Kalaburagi, Oravakal (Kurnool), Kushinagar, Itanagar, Mopa, Shivammogga and Rajkot.



Development works at two major airport projects, i.e., **Noida (Jewar) and Navi Mumbai International Airports** are at advanced stages of completion and are targeted for operationalisation by the first quarter of FY 2026. The first validation flight landed at the Noida International Airport (NIA), marking its operational readiness in December 2024.



The GoI has also granted '**site clearance**' for the construction of nine greenfield airports, of which four airport projects, namely, Doloo, Parandur, Kota and Raichur were granted clearance in 2024.



Digi Yatra was activated at nine more airports in 2024, including Coimbatore, Bhubaneswar, Dabolim, Indore, Patna, and others. With these additions, Digi Yatra is now operational at 24 airports in India. It has transformed passenger experiences with seamless, contactless travel.

Rise of Indian aviation

As per the Ministry of External Affairs, only 6.5% of Indians hold valid passports. This underpenetration highlights the market's immense growth potential. The growth of airport facilities and airline fleets has capitalised on this.

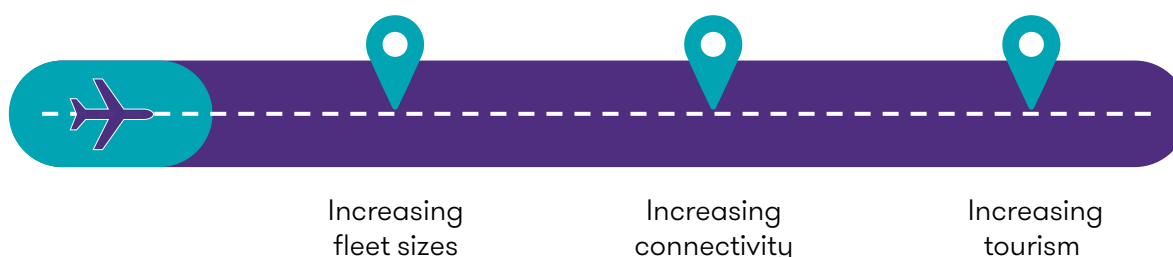
As of January 2025, Indigo, has outstanding aircraft orders of nearly 1,000, followed by Air India, which has placed an order for 474 new aircraft. Akasa Air also has pending orders for 200 aircraft. By 2030, the fleet size of Indian airlines is estimated to reach between 1,200-1,400 aircraft.

The current fleet sizes of major players in the Indian aviation sector are tabulated below.

Airline	Current fleet	Outstanding orders	Average fleet age
Indigo	434	15 on order	4.9 years
Air India	202	1 on order	7.7 years
SpiceJet	60	-	13.9 years
Akasa Air	26	1 on order	4.6 years

Strengthening global connectivity

- India has signed bilateral Air Services Agreements (ASAs) with 116 countries to enhance global connectivity. These ASAs boost cooperation between the countries, lubricate flying rights, and enable better tourism. In 2024, India signed several ASAs. Some examples in November 2024 include a memorandum of understanding (MoU) between Air India and Tourism Australia. India also liberalised air transport agreements with Uzbekistan and Vietnam to ensure better connectivity and foster strong bilateral relations.
- Israel Aerospace Industries (IAI), a globally recognised leader in aerospace and defence, has launched its NeuSPHERE Innovation Acceleration Programme in India to support and accelerate Indian deep-tech startups. It emphasises deep-tech enterprises operating in diversified fields such as big data, signal and image processing, advanced navigation systems, artificial intelligence, autonomy, extended reality for maintenance and training, green energy, advanced production, quantum computing, edge computing, human-machine interfaces, and wearable technology.



Push towards sustainability in the aviation industry

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Sustainable Aviation Fuel (SAF)

- Major airlines are committing to significantly increasing their use of SAFs by 2030. Power-to-Liquid (PtL) technology can produce SAFs from water, CO₂, and green electricity.
- According to the Ministry of Petroleum, the National Biofuels Coordination Committee, India, has set a target to blend 1% of sustainable aviation fuel with jet fuel in 2027. This will go up to 2% in 2028.

Airports and sustainability

- 80 Indian airports have switched over to 100% green energy usage, with 12 airports making the switch in 2024.
- Delhi's Indira Gandhi International Airport uses Fixed Electric Ground Power (FEGP) to reduce emissions from parked planes. This not only improves sustainability but also makes operations more efficient.

Aircraft modifications

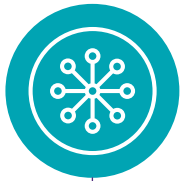
- Using fuel-efficient aircraft is crucial for sustainability in the aviation industry. These aircraft reduce carbon emissions per flight, contributing to a lower environmental impact.
- Moreover, Indian airlines are investing in more fuel-efficient aircraft like the A320neo and 737MAX. These planes are up to 20% more fuel-efficient, helping to reduce the industry's carbon footprint.
- Innovations such as lighter materials and aerodynamic improvements make planes more efficient. These help reduce fuel consumption and emissions.

Conscious changes

- Carbon offset programmes are becoming a popular way to address emissions. Airlines offer passengers the option to offset the carbon footprint of their flights by investing in environmental projects. These programmes help reduce the overall environmental impact of air travel.

GovEVA modules

Optimising flight operations can significantly improve sustainability in the aviation industry. Practices such as improved route planning, efficient flying techniques, and reducing unnecessary weight can lower fuel use. These operational changes contribute to more sustainable and cost-effective flights. At Grant Thornton Bharat, we offer several services to enable a company's transition to a more sustainable future. We have strategically collaborated with GovEVA, to offer a comprehensive platform for managing real-time ESG tracking, adherence to global standards (GRI, SASB, BRSR), robust data validation, and AI-driven reporting.



360-degree sustainability management

Manage enterprise-wide ESG initiatives with customisable digital workflows and advanced reporting tools.

Value chain sustainability

Conduct digital assessments for value chain partners and track their performance.



Carbon calculators & ESG trackers

Utilise real-time carbon calculators and ESG trackers for accurate emission tracking.

Materiality mapper

Conduct double materiality assessments to identify and prioritise relevant ESG parameters.



Sustainability baseline analyser

Perform baseline assessments and gap analysis to craft tailored sustainability roadmaps.

Reporting automation

Automate ESG reporting across multiple frameworks with robust data validation and security.



Government intervention in the aviation sector

Policy support

01

In a significant development, the Parliament passed The *Bharatiya Vayuyan Vidheyak*, which came into force on 1 January 2025, replacing the 90-year-old Aircraft Act. This Act facilitates the ease of doing business in aviation and encourages aircraft manufacturing in India. It provides more power to the rights of passengers and has introduced strict safety protocols and standards for domestic and international flights. It has also created a more favourable environment by allowing 100% foreign direct investment (FDI) in aviation sectors like air transport and maintenance, repair, and overhaul (MRO).

02

Both central and state governments have introduced supportive policies such as the National Civil Aviation Policy 2016 (NCAP). The Regional Connectivity (RC) scheme or *Ude Desh ka Aam Nagrik* (UDAN) is a vital component of NCAP 2016. The scheme plans to enhance connectivity to India's unserved and underserved airports envisaging affordable air travel. An interesting feature of the scheme are UDAN cafés that offer inexpensive food options at airports, making it more accessible to the public. The GoI has set a target to operationalise 1,000 UDAN routes and to revive/develop 100 unserved and underserved airports/heliports/water aerodromes (including 68 aerodromes) by 2024.

03

The Digital Personal Data Protection (DPDA) Act has impacted India's aviation sector, with airlines and airports now required to implement more stringent cybersecurity measures to protect passenger data. It has increased operational costs, with the industry investing heavily in new technologies and processes to ensure compliance. Additionally, the DPDA Act has strengthened passenger rights by mandating transparency in data handling, which has helped rebuild passenger trust following high-profile data breaches, such as the Air India data leak in 2021 that affected more than 4.5 million passengers.

Localisation

01

MOCA released *Krishi UDAN 2.0*. The scheme lays out the vision of improving value realisation through better integration and optimisation of agri-harvesting and air transportation, contributing to the agri-value chain sustainability and resilience under different and dynamic conditions.

02

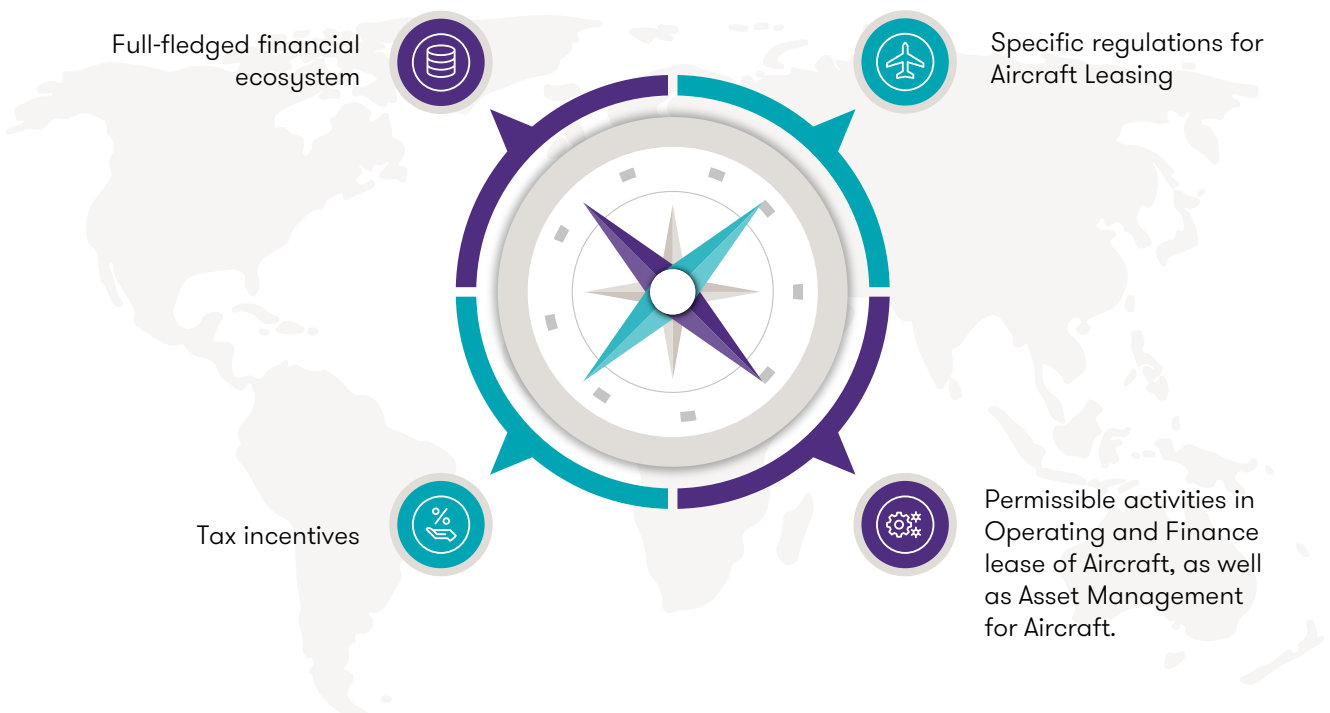
After a six-month successful pilot of *Krishi Udan 2.0*, it was decided to add five new airports namely Belagavi, Jharsuguda, Jabalpur, Darbhanga and Bhopal, to the existing list of 53 airports, taking the number of airports actively participating in *Krishi Udan* to 58.

Aviation service providers

- Growing aircraft demand inevitably increases the requirement for Indian MRO facilities. Currently, a majority of these are outsourced to foreign operators. In June 2024, during the 53rd GST Council meeting, the Goods and Services Tax for MRO services rendered locally was reduced from 18% to 5%. Additionally, there is an exempt time frame during which certain transactions, like the temporary import of equipment for exhibitions, are tax-free if re-exported within six months. Furthermore, timelines for exporting and re-importing aircraft equipment have been extended, allowing airlines more flexibility and reducing customs duties and GST, provided conditions are met.
- Aircraft leasing costs have seen significant growth due to the industry facing supply chain challenges and engine failures. Some remediation is provided by the aircraft leasing and financing businesses, which are operated from the International Financial Services Centre (IFSC) and GIFT City. This gives offshore status to financial services, allowing them to transact in foreign currencies without restrictions.

GIFT City solution

Grant Thornton Bharat assists in evaluating the eligibility criteria for setting up an entity in IFSC. We advise on the capital requirements and tax implications, along with assistance in obtaining approval from the IFSC authorities and SEZ regulator for operating in IFSC-GIFT City. We also specialise in filing income-tax and regulatory compliance and provide advisory and other consultancy services.





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GTBharat@in.gt.com

Connect us:

Ashish Chhawchharia

Partner and Aviation Industry leader
Grant Thornton Bharat
E: ashish.c@in.gt.com

Diya Anand

Consultant
Grant Thornton Bharat
E: diya.anand@in.gt.com

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