



# ANALYSIS REPORT ON INDIAN AVIATION SECTOR

1

Overview

2

Governance Structure & Industry  
Scenario

3

Drivers of Growth

4

Investment Opportunities &  
International Collaborations

5

Impact During Covid 19 Pandemic  
and Way Forward

6

Government Reforms and Related  
Policy Framework

7

Conclusion

The 21<sup>st</sup> century is going to be a game-changer in the growth history of the Indian economy and the aviation industry is among one of the fastest-growing sectors of this beautiful tale. While catering to the transportation need of the rising middle-class population, business travels, and tourism India has bagged the position of the third-largest domestic aviation industry across the globe. The government's permission for international collaboration in the sector and permission for domestic airlines to plan flights for international destinations will set the path to make the Indian aviation industry, the third-largest in the world in terms of overall air passenger traffic also by 2024 surpassing the UK.

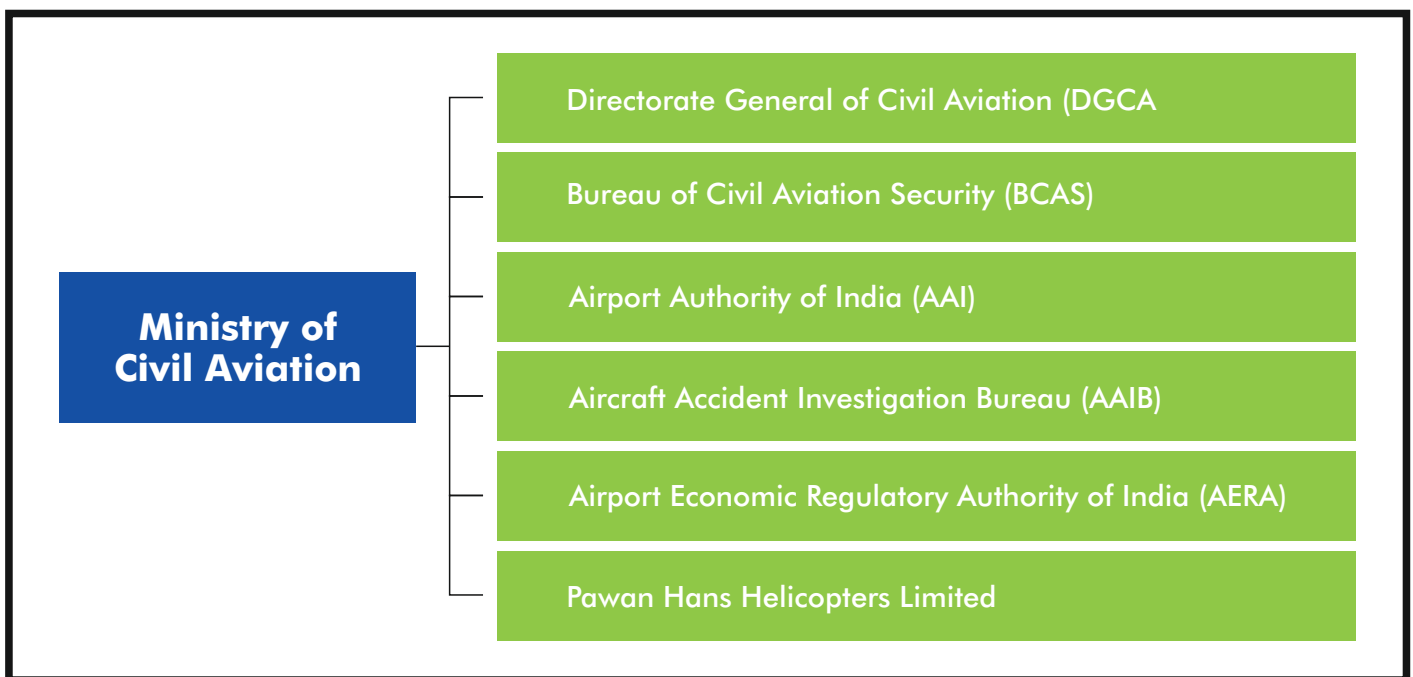
The continuous infrastructure up-gradation and multi-modal connectivity plans for the industry are becoming the key feature to energizing India's economic growth. The demographic dividend along with the rising income levels in India has helped to grow the Indian aviation market beyond bars. With the successful launch of the ambitious Regional Connectivity Scheme- Ude Desh Ka Aam Nagrik (RCS- UDAN) in 2016, the government has set the path of a sustainable business model. The scheme thus has envisaged a detailed and effective plan for safe, affordable, comfortable, and sustainable air travel for domestic passengers across the country.

During the pandemic, when the movement of people and goods was on hold at the domestic as well as international level, the aviation industry has also seen a significant decline in its growth trajectory. But it has still managed to serve the passengers while bringing back several stringent Indians across the globe to bring back home and adding up smiles to millions of faces.

The National Aviation Policy, 2016 over the time has given much flexibility and increased the ease of doing business in the sector. As it has given a clear roadmap to create a robust ecosystem for the Indian aviation sector to cater to the domestic and international passenger demands along with cargo transportation needs. The policy framework has set the growth cycle of sustainable air transportation with digital connectivity and effective deregulations in industry. Through this, the sector becomes capable to attract more investment from domestic and international players to dream big and fly high.



The aviation industry in India is governed by the Ministry of Civil Aviation, Government of India which has primary responsibility for the policy formulation related to the overall development, rules and regulations related to civil aviation operations, etc in the country or related to international civil aviation operations operated from the country. The administration of various legislations related to the Indian aviation industry such as the Aircraft Act 1934, Aircraft Rules, 1937, etc is also taken care of by the Ministry of Civil Aviation. There are some autonomous and public sector organizations under the ministry to exercise and implement the administrative powers related to the specific operations in the sector.



Autonomous and public sector organizations under the ministry of civil aviation.

With the growing market size of the Indian aviation industry which is around US\$ 16 billion as of July 2021, India bagged the tenth position in the civil aviation market in terms of the total number of passengers carried and is expected to surpass China and the United States by 2030 as per the data of International Air Transport Association (IATA). India will achieve this feather due to the rising share of the middle-class population, low-cost domestic air travel, continuous infrastructure upgrade, and a supportive government policy framework.



The positive scenario is taking place for the growth of the sector as some of the major milestones marked under the National Civil Aviation Policy, 2016 by the Ministry of Civil Aviation are providing well-needed vibrancy to the air travel in India:

**2022**

- To make flying affordable for masses
- To touch the mark of 30 Crore domestic air travel ticketing

**2027**

- To touch the mark of 50 Crore and 20 Crore domestic and international air travel ticketing respectively
- Increase in cargo volume to reach the level of 10 million tonnes

The rise in the working population and increasing need for business travel and tourism is going to help in achieving these targets over time. The ongoing trends also show positive momentum in the post covid scenario and gradually help the industry to come out of the shock as the travel and tourism industry also started flourishing with the continuous push from the government.

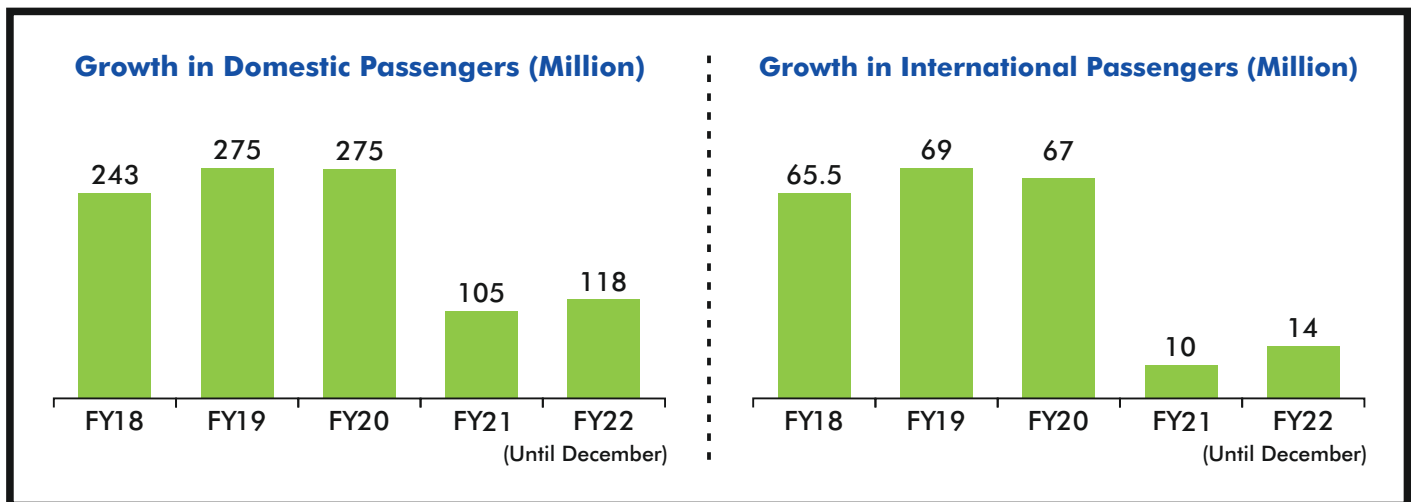
**11%**Passenger Traffic  
Growth**15.9%**Foreign Tourist Arrival  
Growth**3.6 MMT**Total Freight Traffic  
(MMT)**14.4%**Domestic Aircraft Movement  
Growth

Post-covid Growth

Source: <https://www.investindia.gov.in/sector/aviation>



The last five year's trends are showing the encouraging trends for the civil aviation sector as the government is also working on the strengthening of regulations such as land allotment, the revival of airstrips and airports, etc:



#### Passengers Growth Data

Source: <https://www.ibef.org/industry/indian-aviation/infographic>

#### Some of the major achievements of this sector in the last few years are as under:

- Under RCS- UDAN scheme, around 34,74,000 passengers were taken flights on 335 routes allocated in 2019 which covers a total of 33 airports including 20 unserved and 3 underserved airports.
- Under the Vande Bharat Mission, the Indian Civil Aviation industry has flown 2,17,000 flights till 29 November 2021 and brought back around 1.83 crore Indians to their homeland from foreign land.
- The number of operational airports in India has increased to 153 as of June 2020 from the earlier 75 in 2014.
- The Tata Sons acquired Air India for US\$ 2.4 billion for 100% equity shares.
- The Land allotment period for Indian aviation Maintenance, Repair, and Overhaul (MRO) facilities has been revised to 30 years from the existing 3-5 years.

The MRO industry in India is taking up a great shape and is ready to take off to achieve the milestone of US\$ 800 million in 2028 from the level of US\$ 2.4 billion in 2018. It will help India to brand itself as a global hub for MRO facilities. The overall scenario for the civil aviation industry in India and its related facilities are presenting great opportunities including the development of new airports and airstrips, modernization of existing airports, airport capacity augmentation, etc. The rising demand and strong policy support are providing the perfect breeding ground for the growth of the Indian aviation industry in the years to come.

The trends in the civil aviation sector in India are encouraging due to the continuous growth trend for the Indian economy, increase in commutation needs and income levels of the middle class, along with the growth in the tourism sector. To fully cater to this increased demand the aircraft penetration in India is still low and thus has great opportunities for the infrastructure upgrade under the PM Gati Shakti Master Plan and the induction of new fleets.

Some of the other important reasons which drive the growth of the industry in the current scenario and help in strengthening the industry along with providing opportunities in tourism as well as the employment sector are as under:



Thus, the Atmanirbhar Bharat initiative and the Make in India program of the government of India have done wonders in increasing the overall capacity of the aviation industry. This has set the path for making India a global hub for MRO facilities and adaptation of new services and sustainable practices such as carbon neutrality for its bright future ahead.

The multi facet role allocation to the Indian aviation industry by the Indian government right from the evacuation from the war zone to the execution of one of the biggest evacuation missions during the Covid has enhanced the capacity and capability of the industry and proved it as a savior in disguise. Thus the scenario has made the momentum in favor of the sector. The gradual increase in air cargo traffic at the domestic, as well as the international level, has also proved the commitment of the Indian aviation industry to fast and timely delivery.

As per the 2018 plan of the Airport Authority of India (AAI) to augment aviation facilities and infrastructure upgrades at Indian airports through the Public-Private Partnership (PPP) model, has brought new growth opportunities for the stakeholders involved in the sector in the coming five years i.e.till 2023. The government's Krishi Udan scheme is also helping in expanding the product coverage for perishables and improving the air cargo transportation scenario even in the remotest Indian states like the Northeast and 4 other Himalayan states.

Thus, the industry has enormous growth opportunities in connecting India through a safe, efficient, and secure transportation medium within the span of the next five years and contributing to the growth of several important sectors of the Indian economy such as tourism, agriculture, and services in near future.

The Ministry of Civil aviation under Union Budget 2022-23 has estimated the total expenditure of Rs10,667 crore for the fiscal year. The sector is showing an encouraging trend in the post covid scenario and thus ready to attract more investment and financial allocation through privatization, the PPP model, and international collaborations.

The investment of more than 400 billion in the Indian airport's infrastructure was expected between 2018-23. The plan of AAI to invest around 25,000 crores in the same time span will further strengthen the air connectivity infrastructure to the remotest corners of the country. It will help India to become the third-largest aviation industry soon while successfully catering to the demands of domestic as well as international passengers.

The provision of 0% customs duty on various components including the engines of the aircraft, has helped to grow the aircraft manufacturing facilities by PSUs under the Ministry of defense. Besides this, the government of India is also planning to invest around US\$ 1.83 billion in the areas of infrastructural development and navigation services till 2026. The acquisition bid of the Government India owned Air India has brought Rs 18,000 crores investment from Tata Sons against 100% equity share and the launch of the first startup airline by Akasa Air in 2021 has opened up new avenues of investment in the sector.

### INDIAN AVIATION INDUSTRY IS EXPECTED TO GROW

India is poised to be 3rd largest Civil Aviation market by 2024 from the current 9th position



As per the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), the aviation industry is one of the preferred sectors to attract Foreign Direct Investments (FDI) also and thus has crossed the mark of around US\$ 3 billion through this route in the last 20 years between 2000- 2021.

S. No.	Area	FDI Allowed through Automatic Route (in %)
1.	Scheduled Air Transport Service	<49
2.	Regional Air Transport Service	<49
3.	Domestic Scheduled Passenger Airline	<49
4.	Green field and Brown field Projects for Airports	100
5.	Ground Handling Services as per Regulation and Security Clearance Guidelines of the Sector	100
6.	Maintenance, Repair, and Overhaul (MRO) Facilities	100
7.	Flying and Technical Training Institutes	100
8.	Helicopter Services and Seaplanes	100

#### FDI policy for the Indian Civil Aviation Industry

In the light of an ongoing supportive policy framework, the Indian aviation industry has bagged many international collaborations in the field of safety management to sustainability. This has set the path for growth and re-energized the sector while keeping the increasing domestic passenger demand in check. Some of these major collaborations in the field are as under:

Spice Jet sets the target of 100 million domestic passengers on Sustainable Aviation Fuel Blend Under the World Economic Forum by 2030

Safety Management System Training for Domestic Aviation Industry Stakeholders from Boeing in association with Indian Aviation Academy and the University of Southern California

Turbo Aviation's TruStar attracts investment of Rs 950 crore from a UK Based Investment Group

Concessional Agreement between Uttar Pradesh Government and Zurich Airport International, to develop greenfield Jewar International Airport

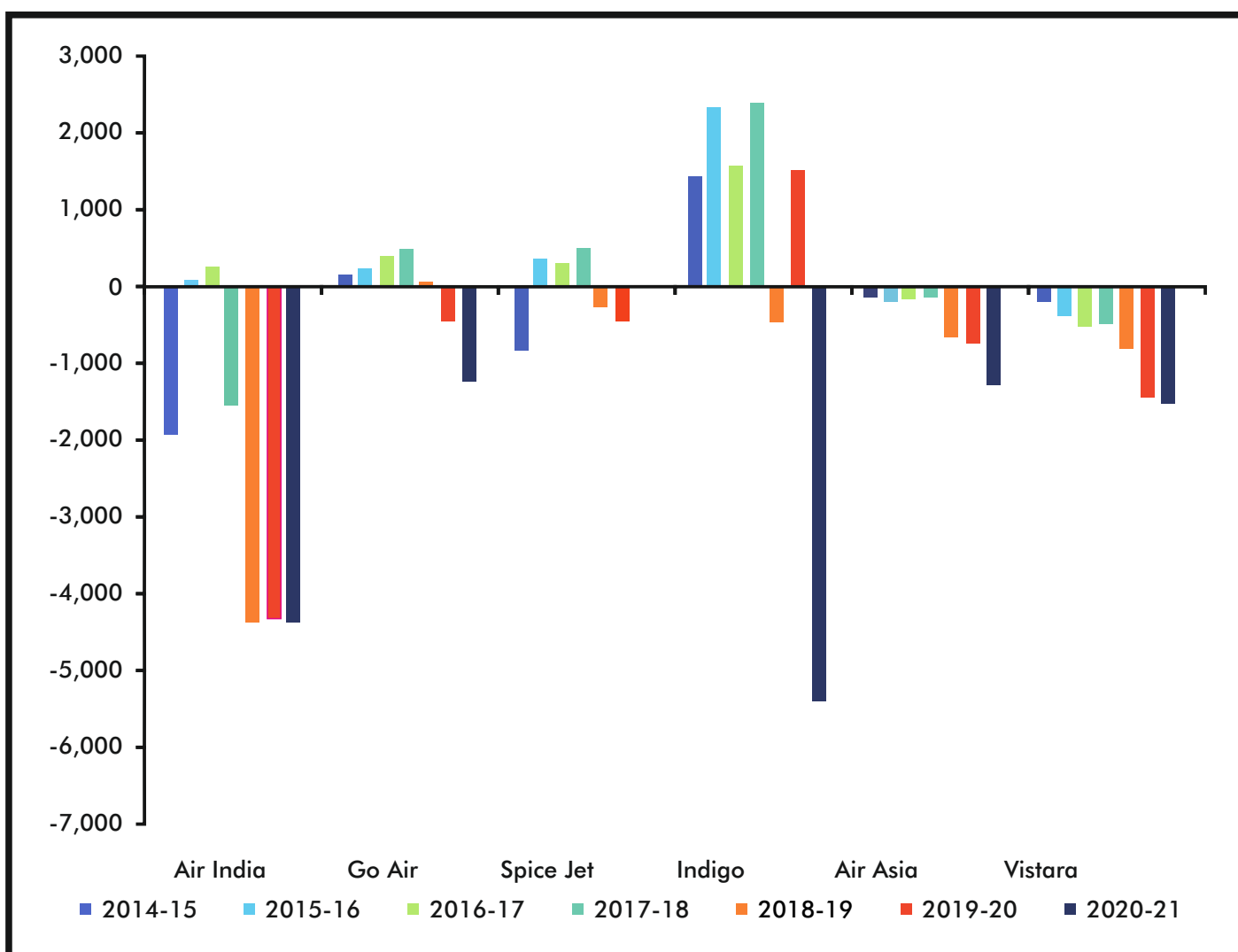
In this regard, the government of India, through various agreements like Open Sky Pact, and Air Bubble Agreement is strengthening the ties of the Indian aviation sector with its global partners and counterparts. The scenario will help India to grow its international passenger and cargo traffic demand in the regional and international aviation landscape.



Under the policy shift of the Government of India's RCS- UDAN scheme, the air connectivity among the remotest places of the country has been established since 2016 and many unserved and under served airports and airstrips were revived for the purpose. But the scheme has shown its result by playing its expected role in India's war against Covid 19. It becomes the fastest medium to transport essential medical supply cargos, transportation of Vaccines, etc to the farthest places of the country to rescue the people in need.

But with the emergence of the Covid 19 pandemic, the aviation sector has been badly hit as travel and tourism were at a standstill and movement of people and goods was strictly prohibited. During the time, the commercial domestic and international flight operations were completely on hold, and airline companies have booked major losses. Thus while surviving the crisis, the aviation industry in India has seen continuous pay cuts and firings of human resources.

**Operating Business Trends of Major Indian Airlines (In Rs crore)**



Source: <https://prindia.org/theprsblog/state-of-the-civil-aviation-sector-in-india>

In this tough time some of the major steps taken by the Ministry of Civil Aviation to support the sector and reduce its ill impacts on the industry are as under:

Restarted the Domestic Air services in a Calibrated Manner with all Covid 19 Safety Guidelines.

RCS-UDAN Flights have been allowed without any restrictions.

Air Bubble Agreement has made with Several Countries including USA, UK, Maldives, Canada, etc to restart air travel when the regular flights remain suspended due to pandemic.

Increased Government Investment in Infrastructure related to Air Connectivity and Promoted Private investment through PPP model.

GST Rates were reduced to 5% for Domestic MRO Services.

As per the Morgan Stanley Report, The Indian Aviation industry is going to recover from the hit of the Covid 19 pandemic and recover 80% of the 2020( Pre- Covid) level of business. It will soon be on the success path and will surpass China and the US to become the third-largest air passenger industry by the year 2030.

With the rising numbers of vaccination and decreasing severity levels of the Covid 19 pandemic, the tourism industry is getting its momentum nearly after around 2 years and thus the aviation industry is also all set to welcome the new growth avenues and soaring business trends with great hope.



The Government of India in the last 7 years has strengthened the Indian aviation sector beyond the expectations with the fundamental policy shift such as UDAN which made air travel affordable for the middle-class population of India. This helped in making air travel a more adaptable and safe way of commutation for the Indian masses and made it a choice rather than a luxury.

Around this, some of the major policy frameworks which made the industry blossom and enhanced its capabilities to compete with the top aviation industries of the world on the global landscape through privatization of airports, improving airspace management, etc are as under:

- **National Civil Aviation Policy, 2016**

The policy was envisaged to make flying affordable for the Indian masses which was supposed to eventually boost the “Make in India” initiative of the government of India. The policy was designed to enhance the ease of doing business in the sector through Various mechanisms like deregulations, simplified procedures, e-governance, etc. The policy has allowed India to come into the Open Sky Agreement with the USA, European, Africa, and several other Asian countries and promoted travel and tourism in India.

- **Regional Connectivity Scheme- UdeDesh Ka Aam Nagrik (RCS-UDAN)**

This scheme has enhanced air connectivity from the remotest corners of the country at affordable prices. To serve the purpose, many unserved and underserved airports have been identified and later made operational to enhance their capacity. Under the scheme, around 14 aerodromes have also been identified from Gujarat, Assam, Telangana, and Andhra Pradesh along with Andaman Nicobar and Laksha dweep to cater to the growing demand.

As of January 2022, around 86 lakhs of domestic passengers have traveled across various parts of the country. The Ministry has also started Krishi UDAN flights for improving the value realization of perishable crops, agriculture harvest, etc, and helped Indian farmers to grow their income and contribute to the Indian economy.

Along with this, the Atmanir bhar Bharat and Make in India initiative of the government of India has enhanced the manufacturing, maintenance, and repair services in the sector including the restructuring of the 5/20 rule to make it more attractive and competitive for investment and operations by private players. The overall positive scenario is thus helping the industry to touch new heights while overcoming the shock of the deadly pandemic sustainably through a robust comeback process.

The rejuvenation of existing airports and airstrips has redefined the Indian Air Space and Indian Aviation industry. It made the growing middle-class population a well-served customer for the industry and thus opened the new avenues of success, growth, and business in the area. This also helps to generate employment in the various facilities such as maintenance, operations, ground Staff, etc.

Overall this has brought major investment through established private players such as Airbus and Boeing that also encouraged startups to come and join hands in writing the growth story of the Indian aviation industry on the global landscape.

But due to increasing passenger traffic, the Aviation industry in India is going to face several challenges like modernization of airline fleets, competition with international airlines in terms of operations and modern facilities, rapid development in the sector, shortage of skilled manpower, increase in fuel prices and pressure of adapting sustainable fuel choices along with the management of continuous increasing air traffic.

Thus, the industry has a long way to go in the future but the enthusiasm to make it competitive in the global market will serve the purpose. It will help the industry to grow on international standards while catering to the growing domestic and international demands. That will eventually bring India into the elite class of the global aviation industry with increasing capacity, infrastructure overhaul, and a better understanding of market dynamics in near future.



1. <https://www.civilaviation.gov.in/en/aboutus/orgsetup>
2. <https://www.dgca.gov.in/digigov-portal/>
3. <https://www.investindia.gov.in/sector/aviation>
4. <https://prsindia.org/theprsblog/state-of-the-civil-aviation-sector-in-india>
5. <https://www.ibef.org/industry/indian-airports-analysis-presentation>
6. <https://www.iata.org/contentassets/690df4ddf39b47b5a075bb5dff30e1d8/iata-future-airline-industry-pdf.pdf>
7. <https://www.niti.gov.in/verticals/infrastructure>
8. [https://niti.gov.in/planningcommission.gov.in/docs/aboutus/committee/wrkgrp12/wg\\_aerospace%20sector.pdf](https://niti.gov.in/planningcommission.gov.in/docs/aboutus/committee/wrkgrp12/wg_aerospace%20sector.pdf)
9. <https://www.makeinindia.com/sector/aviation>
10. [https://www.civilaviation.gov.in/sites/default/files/Final\\_NCAP\\_2016\\_15-06-2016-2\\_1.pdf](https://www.civilaviation.gov.in/sites/default/files/Final_NCAP_2016_15-06-2016-2_1.pdf)
11. [https://www.icao.int/Meetings/a40/Documents/WP/wp\\_380\\_en.pdf](https://www.icao.int/Meetings/a40/Documents/WP/wp_380_en.pdf)
12. [https://prsindia.org/files/budget/budget\\_parliament/2022/Civil%20Aviation%20DFG%20Analysis%202022-23.pdf](https://prsindia.org/files/budget/budget_parliament/2022/Civil%20Aviation%20DFG%20Analysis%202022-23.pdf)
13. <https://www.livemint.com/news/india/covid-19-had-massive-impact-on-indian-aviation-sector-in-2020-11608984681224.html>
14. <https://www.managementstudyguide.com/case-study-of-indian-aviation-sector.htm>
15. <https://www.indiabudget.gov.in/economicsurvey/>
16. <https://pib.gov.in/PressReleasePage.aspx?PRID=1816079>
17. <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1810276>
18. [https://www.wns.com/Portals/0/Documents/Articles/PDFFiles/600/154/WNS\\_Article\\_Top\\_Trends\\_Shaping\\_the\\_Airline\\_Industry.pdf](https://www.wns.com/Portals/0/Documents/Articles/PDFFiles/600/154/WNS_Article_Top_Trends_Shaping_the_Airline_Industry.pdf)
19. <https://pib.gov.in/PressReleasePage.aspx?PRID=1655672>
20. <https://business.mapsofindia.com/india-gdp/industries/aviation.html>
21. <https://pib.gov.in/PressReleasePage.aspx?PRID=1796156>
22. <https://www.legalserviceindia.com/legal/article-6865-aviation-sector-and-indian-gdp.html>
23. <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1740009>
24. <https://link.springer.com/article/10.1057/s41272-020-00257-z>
25. <https://www.aai.aero/en/rcsudan>
26. <https://www.sciencedirect.com/science/article/pii/S0970389620300756>



## AG Group

AG was established in the year 1998. In the due course of time AG has become multi-functional, multi-disciplinary organization offering a wide range of consultancy services to multiple sectors for implementation of projects under one roof from “Concept to Commissioning” AG shareholders has track record in the development of mega projects in country & overseas in field of sports, hospitality, tourism, flood management, turf farms, F&B, real estate, fashion & clothing, import & exports, chemical & fertilizers.

The integration and coordination of our in-house experts delivers the pragmatic, valued solutions expected in the markets of today. Quality and Service delivery are key elements of AG Group corporate philosophy and are upheld by a professional management team. The highly motivated, experienced and multi-disciplined team, plans, develop and implement that meet, and often exceed client expectations. We can synergies our experience with your projects to make it a success.



### Disclaimer

The documentation created is by using information available on public domain as general in nature. It does not address to any particular situation or source. However, the information received from these sources is believed to be reliable. This information might be partially amended and it's also subject to revision.

A G Horizon Pvt. Ltd. does not make any warranties, expressed or implied, as to the accuracy of such information. We do not accept any liability whatsoever, for any direct or consequential loss arising from this document or its contents.

### Contact Details

+91-11- 45356553, 54    +91-9810046249  
 info@aggrp.in    www.aggrp.in

★ New Delhi   ★ Mumbai   ★ Hyderabad   ★ Imphal

