

Aviation Digest

July 2026



Introduction

India is the world's third-largest domestic aviation market. The sector is also expanding beyond passenger growth to include airline consolidation, aircraft financing and leasing, maintenance, repair, and overhaul (MRO) services, airport infrastructure, and aerospace manufacturing.

Global conditions have also become difficult. Geopolitical conflict has disrupted international airspace, increased fuel costs and added pressure on airline operations. These challenges are testing the sector's ability to scale efficiently.

How is Indian aviation sector coping

India is tackling these developments through a mix of policy, operational and regulatory measures:

The Ministry of Civil Aviation (MoCA) is working with states to reduce jet fuel taxes.

Airlines are rerouting flights to reduce disruption.

Regulators are coordinating internationally to support operational stability.

These measures aim to cushion the impact of high fuel prices, long flight paths, and shortages of flight crew and maintenance engineers. Public spending, private capital and strong underlying travel demand continue to support a positive medium-term outlook for India's aviation market.¹

Expert view



For India, the effects of global aviation disruption are beginning to surface unevenly. While domestic demand is resilient, international operations, especially long-haul routes, face cost pressures. Any prolonged escalation could lead to higher fares and cautious capacity deployment.

More broadly, the crisis is amplifying structural stresses that the industry was already grappling with, including delayed aircraft deliveries, rising maintenance costs, elevated lease rentals and tighter financing conditions. The result is a widening divide between stronger, well-capitalised airlines and those with limited financial flexibility. The coming months will test how effectively airlines can adapt to a rapidly shifting cost and operating environment.

Ashish Chhawchharia

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1. [Press Information Bureau](#)

Fuel volatility brings resilience into focus

Fuel costs are one of the clearest ways global disruption is feeding into airline operations. To cushion airlines against this pressure, India has taken steps such as extending a live credit line for aviation turbine fuel (ATF).² However, rising ATF costs continue to test airline margins and operating choices. Carriers may need to raise fares, rationalise routes or renegotiate supplier contracts.

This has also brought sustainable aviation fuel (SAF) in focus. Pilot projects and limited blending initiatives are already underway in India, but according to experts, large-scale adoption remains some distance away. High production costs, limited feedstock availability and infrastructure gaps continue to constrain commercial viability of SAF.



MoCA has also committed to advancing SAF adoption and developing green airports. But scaling existing technologies alone will not be enough. India will need to support innovation in propulsion systems, alternative fuels, and aircraft design to achieve meaningful progress.

Researchers have also proposed an Aviation Sustainability Index (ASI), a framework that would assign measurable scores to aviation projects based on verified emissions impact. Projects such as adoption of SAF, efficient aircraft designs and new propulsion systems could be rated for their environmental benefits.

Such a framework could help investors identify credible green projects, reduce the risk of greenwashing and direct capital towards technologies that genuinely lower aviation's carbon footprint.

Beyond passengers: Fleet, freight and MRO take off

India's aviation expansion is visible in its fleet expansion strategy.

Some examples include:

IndiGo's 500-aircraft Airbus order in 2023 took its order book to almost 1,000 aircraft yet to be delivered.³

Similarly, Tata Group-owned Air India signed purchase agreements in 2023 to acquire 470 aircraft from Airbus and Boeing as part of its fleet expansion programme.⁴

These orders signal long-term confidence in India's aviation market and the scale of capacity being planned for the next phase of growth.

2. [Press Information Bureau](#)

3. [IndiGo Orders 500 Airbus A320 Family Aircraft](#)

4. [Air India Newsroom & Press Releases](#)

Fleet expansion is not limited to passenger capacity. The Directorate General of Civil Aviation (DGCA) has highlighted rising demand for cargo services, with India's air freight volumes projected to double by 2030. This creates opportunities for dedicated freighter aircraft, logistics hubs and specialised maintenance facilities.

The aviation ecosystem is also developing. The government has introduced policy incentives to strengthen domestic MRO capabilities and reduce reliance on overseas hubs such as Dubai and Singapore. According to MoCA, the MRO market in India is projected to reach USD 4 billion by 2031, registering a CAGR of 8.9% compared with the global average of 5.6%. This is supported by tax reforms and infrastructure investment.⁵

Akasa Air is setting up its first MRO centre at Noida International Airport

Haveus Aerotech is expanding its MRO capabilities in Bengaluru

Air India has announced plans for a large-scale MRO hub to support its fleet expansion

Navi Mumbai International Airport is being positioned as an aviation hub with integrated cargo and MRO capabilities

Together, these developments show that India's aviation sector is expanding in scale and diversifying in scope.

India as aviation hub: From traffic generator to value creator

Despite India's rapid growth, much of the value generated by its passenger traffic continues to bypass the national economy.

International traffic accounts for more than 70 million passengers annually, but a significant share of the value linked to Indian passengers is still captured by foreign hubs such as Dubai, Singapore and Doha. This supports their airlines, airports, MRO facilities and retail ecosystems.

Dubai International Airport handled 95 million passengers in 2025, making it an important global aviation model.

The success of Dubai and Singapore reflects integrated strategies where airports are paired with strong anchor carriers, supported by competitive policies and government-backed economics. Aviation in these markets is treated as a national growth lever, producing measurable outcomes in connectivity and commerce.

India is now moving to replicate this model. MoCA has prioritised integrated airport-airline strategies, domestic MRO development, and regional connectivity through the UDAN scheme. With expanding fleets, rising demand, and policy reforms, India is positioned to shift from being a generator of traffic for foreign hubs to becoming a regional aviation centre for South and Southeast Asia. ⁶

6. [DXB News](#)



Tackling supply chain disruptions

However, India's aviation growth path is grappling with global delivery delays. To deal with this supply crunch, the DGCA has proposed amending Civil Aviation Requirements (CAR) to permit the import of pressurised aircraft up to 20 years old, compared to the current limit of 18 years. Non pressurised aircraft already have more flexible import rules.

Why is this important?

The move is a pragmatic response to supply chain bottlenecks affecting new aircraft deliveries from Airbus and Boeing. By easing import restrictions, DGCA aims to ensure carriers can expand fleets and maintain capacity despite global production delays.

To further support this expansion, MoCA is advancing long-term goals under Atmanirbhar Bharat, encouraging domestic manufacturing of components and strengthening MRO capabilities.

These projects signal a shift towards building a strong fleet presence along with domestic maintenance capacity.⁷

Gaining altitude in aerospace manufacturing

In March 2025, Airbus announced plans to procure USD 2 billion worth of components and services from India annually by 2030, up from USD 1.4 billion. This includes aerostructures, avionics and other components, reflecting India's growing integration into Airbus's global supply chain.

Earlier this year, Airbus expanded its presence by inaugurating its India Technology Centre in Bengaluru, designed to house up to 5,000 engineers and specialists across engineering, digital transformation and procurement. In June 2026, the first India-made Airbus C295 military transport aircraft completed its maiden test flight from the final assembly line in Vadodara, Gujarat, marking an important milestone in indigenous aircraft production.

Airbus is not alone. Rolls-Royce has also partnered with Indian firms for engine component manufacturing, while Collins Aerospace sources systems such as landing gears and motion control assemblies from India.

These collaborations show India's attractiveness as a production base, supported by cost competitiveness and a technically skilled, young workforce. A growing cluster of aeronautics firms is also scaling production capacity. This includes aircraft parts, MRO services and ancillary manufacturing. This growth is fuelled not only by exports but also by domestic demand.⁸

Gaps to fill

Despite this progress, India remains dependent on imports for certain high-technology segments such as advanced avionics, composite materials, and certain categories of jet engines. These imports highlight the gap between India's current manufacturing strengths and the high-end technologies dominated by established aerospace powers. Recent deals with Embraer underscore the need for advanced regional aircraft and specialised systems that are not yet produced domestically.⁹

India's aviation production landscape is thus a mix of rising domestic capability and continued reliance on imports for advanced systems.

7. DGCA; MoCA

8. Airbus; Rolls Royce; MoCA

9. Embraer

Conclusion

India's aviation sector is entering a more demanding phase of growth. Passenger demand remains strong, but the next phase will depend on how effectively the country strengthens fuel resilience, supply chains, MRO, manufacturing and sustainable aviation.

The path to clean aviation will be complex, given long development timelines, regulatory hurdles, and infrastructure gaps. Yet for India, the stakes are high: climate change is already manifesting through prolonged heatwaves and erratic monsoons, while aviation demand continues to surge. By embedding sustainability into aviation policy, incentivising innovation, and rethinking supply chain resilience, India can transform its aviation sector from a contributor to emissions into a driver of climate conscious growth. Success in this area would not only strengthen India's resilience but also position it as a leader in sustainable aviation across Southeast Asia and the wider world.





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