SECTOR HIGHLIGHTS

India’s Air Passenger Traffic (domestic and international) grew by 16% in 2017-18 (184 Mn passengers) compared to the previous year (158 Mn passengers).

By 2020, India is expected to become the 3rd largest aviation market in the world.

India will acquire nearly 1600 aircraft, worth USD 224 Bn, in the next 20 years.

GROWTH DRIVERS

1. Growing Middle Class
   The increasing demand of India’s steadily growing middle class has resulted in the dramatic growth of the aviation sector- including the emergence of LCCs/new carriers, as well as an increase in business and leisure travel.

2. Infrastructure Modernisation
   By increasing its focus on infrastructure development and liberalisation, the Airports Authority of India (AAI) is accelerating the modernisation of airports, as well as Air and Navigation Systems.

3. Lifecycle and Obsolescence Management
   The growth in aviation has resulted in an increased demand for MRO (maintenance, repair, and overhaul) facilities, with MRO business likely to increase from USD 0.7 Bn to USD 1.5 Bn by 2020.

India’s passenger traffic is expected to increase from 145 Mn in 2011 to 360 Mn in 2020.

Domestic passenger utilisation (measured through load factor) reached to 87% (up from 73% in 2013/14).

India has the highest proportion of female commercial pilots 12% which is more double the global average of 5%.
The National Civil Aviation Policy was released in 2016 by the Ministry

- Since independence, this is the first time that an Integrated Civil Aviation policy has been brought out by the government.
- The new NCAP is significant in the backdrop of the ‘Make in India’ initiative. It focuses on making flying accessible to the masses, and significantly enhances ease of doing business through deregulation (especially in relation to MRO services), simplified procedures and e-Governance.
- The most notable government initiative in civil aviation is *Ude Desh Ke Aam Nagarik (UDAN)* - which is a regional airport development and connectivity scheme. Its objective is to enable “the common citizen of the country to fly”. It aims to make air travel affordable and widespread, while boosting inclusive national and economic development.
  - A affordability of regional routes is being promoted through:
    1. concessions/other support measures by Central and State Governments and airport operators to reduce the cost of airline operations on regional routes and
    2. financial (viability gap funding or VGF) support to meet the gap between the cost of airline operations and expected revenues on regional routes

- The National Civil Aviation Policy also directly addresses the MRO segment as this is a key segment that will be a significant growth leader for India’s Aviation and Defence Sectors.
  - Key policies include the rationalisation of customs duty and the simplification of clearance of goods procedures. Further incentives proposed in the policy include provisioning land for MRO service providers, lowered VAT, etc. providers, lowered VAT, etc.

Liberalisation of FDI Policy

- The Government of India has liberalised the FDI policy for the aviation sector. It now permits 100% FDI in Greenfield and Brownfield airport projects. Foreign investment allowances in Scheduled Air Transport Service/Domestic Scheduled Passenger Airlines and Regional Air Transport Services have been increased to 100%. There are also opportunities in ground handling services and MROs.
INDIA IS EXPECTED TO BE THE 3RD LARGEST AVIATION MARKET IN THE WORLD BY 2020
There are plans to open aviation hubs/parks in various parts of the country (similar to existing defence hubs and corridors).

Two of these hubs are in:

**Hisar, Haryana**
An integrated aviation hub that will house an MRO facility as well as fixed base operations; it is slated to be spread across 2000 acres.

**Gujarat**
A high-tech Aviation Park that will include a state-of-the-art theatre, a training/simulator complex, aviation and aerospace management school, aircrew training school, helipad and landing strip, manufacturing facilities, pilots-aid complex, infotech and residential area, as well as other supporting facilities.

**Key Stakeholders**

- Ministry of Civil Aviation
- Directorate General of Civil Aviation
- Bureau of Civil Aviation Security
- Airports Authority of India
- Federation of Indian Airlines
- International Civil Aviation Organization
Boeing plans to set up a maintenance and repair facility at its aerospace SEZ near Devanahalli airport. The facility will focus on assembly, and engineering technology with electronics/avionics manufacturing.

AAR, a global provider of aviation services to commercial airlines, announced a joint venture with Indamer Aviation, a leading aviation company in India, for the development of a new airframe MRO facility in Nagpur. The new facility will initially comprise six narrow-body bays, including one bay for paint. Additional phases have been planned to increase this to 16 bays, as well as add component repair shops.

Key Players in India:
- Jet Airways
- Air India
- SpiceJet
- Vistara
- IndiGo
- Go Air
- GMR Group
- GVK

All information in this brochure was last updated on Apr 30th, 2020.
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Phone No: 011 2304 8101
Email ID: aviation@investindia.org.in

First Floor,
Vigyan Bhawan Annexe,
Maulana Azad Road, New Delhi - 110011

@investindia @investindiaofficial @invest-india

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