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## India's new airlines rethink leasing, go hybrid on fleets

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# India's new airlines rethink leasing, go hybrid on fleets

New entrants think a partial shift to ownership may increase credibility with banks, investors

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**N**ew airline startups—such as Lucknow-based Shankh Air, Gurugram-based FlyBig and Goa-based Fly91 are moving beyond the industry's leasing-first model, opting instead for a hybrid fleet strategy that blends leased and owned aircraft. This aims to balance financial risk, win over conservative lenders and build long-term value, industry executives said.

Historically, leasing has dominated Indian aviation. Over 80% of commercial jets are leased in India, compared to approximately 53% globally, according to industry reports from Primus Partners and PwC. But new entrants believe a partial shift to ownership may increase credibility with banks and investors.

"We are pursuing a well-calibrated growth strategy that blends leasing and direct acquisition, aligned with the evolving dynamics of the Indian aviation sector," said Anurag Chhabra, co-founder and executive director of Shankh Air. "We will commence operations with two aircraft and aim to expand our fleet to seven and beyond by the end of 2026, focusing on key metro hubs while establishing Lucknow as our strategic base of operations."

The airline is backed by \$50 million in funding from parent company Shankh Trading Pvt. Ltd.

Gurugram-based FlyBig, which temporarily suspended operations due to financial constraints, is now operational in around 20 cities. Travel platform EaseMyTrip recently acquired a 49% stake in the airline. FlyBig



Gurugram-based FlyBig, which temporarily suspended operations due to financial constraints, is now operational in around 20 cities. ISTOCKPHOTO

reported ₹128.75 crore in FY24 revenue and currently operates four DHC-6-400 aircraft—one owned and three leased.

The airline is also placing a strong bet on the upcoming Noida International Airport, also known as Jewar airport, joining Shankh Air in targeting the new aviation hub. However, the new entrants will face stiff competition from established players like Akasa Air and IndiGo, both of which have already signed MoUs with Noida International Airport, securing early access.

"While legacy low-cost carriers are attempting to retrofit regional operations into existing frameworks, FlyBig was purpose-built for this sector," said Chander Bahadur, vice president of FlyBig. "Our very inception was aligned

with the UDAN mission, and over the past four years, we've amassed deep operational expertise in navigating the nuanced demands of underserved and remote destinations."

The UDAN (Ude Desh ka Aam Nagrik) scheme is a regional connectivity initiative by the Indian government that aims to make air travel affordable and accessible by subsidising flights to underserved and unserved airports.

Bahadur also sees the new Jewar airport as a critical gateway for improving connectivity across the populous states of Uttar Pradesh, Uttarakhand, and Bihar.

Yet, India's regional aviation market remains a tough terrain. Demand is volatile and highly seasonal, complicating revenue forecasts. "These fluctuations place immense pressure on airlines to

overfill planes during peaks and absorb large losses during lean months," said Pragya Priyadarshini, VP at Primus Partners.

Operational hurdles are also common at smaller airports, many of which lack basic infrastructure like night landing systems, refuelling, and maintenance support. "Without reliable ground operations, airlines risk flight delays, diversions, or cancellations—factors that impact traveller confidence and reduce repeat demand," she said.

Moreover, the UDAN scheme's financial support is time-bound. Viability Gap Funding (VGF), meant to subsidise initial losses on underserved routes, typically lasts only three years. After that, airlines are expected to generate sustainable demand on their own.

That's why a hybrid leasing-ownership model is gaining traction.

Globally, regional airlines favour leasing over owning aircraft to reduce capital expenditure, manage risk, and maintain fleet flexibility. According to the 2024 Duke University Insight article, leasing allows them to adapt quickly to changing demand and upgrade fleets more easily.

"Owning aircraft is highly capital-intensive. Especially for low-cost carriers, locking in capital upfront may not make sense without clarity on future cash flows," said Bhavana Yerrumreddy, partner and national aviation leader at EY India.

A hybrid model—owning some and leasing others—makes more strategic and financial sense. Airlines should evaluate this depending on factors like the operator's financial situation, expected aircraft utilisation, and long-term operational goals, Yerrumreddy said.

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