


India may soon get 4 new regional airlines, but here's why their success isn't guaranteed

While the entry of new regional airlines may be encouraging, experts don't see them denting the market shares of the likes of IndiGo and Air India, in the unforgiving Indian aviation market.

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India has been a difficult market for airlines, particularly smaller regional carriers, due to factors like high price sensitivity and low profit margins. (Express photo by Amit Chakravarty)

The Ministry of Civil Aviation (MoCA) gave no objection certificates (NOCs) to two new airlines, Al Hind Air and FlyExpress, this week, taking the number of Indian regional airlines in the pipeline to four. Two more airlines, Air Kerala and Shankh Air, already have the NOCs since last year, but have yet to receive the Air Operator Certificates (AOCs) and start operations.

While the government wants more domestic airlines in the Indian skies, the sector remains challenging, particularly in the regional segment that has seen way more failures than successes. Civil Aviation Minister K Rammohan Naidu said that it has been MoCA's "endeavour" to encourage more airlines in India, which is among the fastest-growing aviation markets in the world.

Post IndiGo crisis, duopoly concerns

The announcement came a few weeks after India's largest airline **IndiGo faced a massive operational meltdown**, which raised concerns about the evident duopoly in India's airline sector as IndiGo and the Air India group cumulatively have a domestic market share of over 90 per cent.

While the entry of new regional airlines may be encouraging, experts don't see these smaller airlines denting the market shares of the major carriers. Moreover, it remains to be seen whether these new entrants will succeed in the unforgiving Indian aviation market.

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Part of the Kerala-based travel and tourism services player Al Hind Group, Al Hind Air plans to launch a regional commuter airline with a fleet of ATR-72 turboprop aircraft. While details of

FlyExpress's plans were not available, Air Kerala plans to be an ultra-low-cost carrier (ULCC) with a vision to connect tier two and tier three cities with major hubs using turboprop aircraft.

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Air Kerala was founded by UAE-based entrepreneurs of Indian origin, and despite having an NOC from last year, the airline has struggled to induct aircraft, which is a necessary condition to get an AOC from the Directorate General of Civil Aviation (DGCA). Uttar Pradesh-based Shakh Air, promoted by local entrepreneur Sharvan Kumar Vishwakarma, plans to operate regional flights within and outside Uttar Pradesh from the soon-to-be-inaugurated Noida International Airport. Shankh Air plans to start operations in a few months.

Challenges for regional airlines in India

Industry insiders and experts, however, caution that the road ahead may not be a smooth one for the new entrants. Except for a couple of private sector regional airlines — Star Air and Fly91 — and government-owned Alliance Air that have managed stable and viable operations, the regional airline segment is replete with examples that have failed over the years.

Examples include Paramount Airways, Air Pegasus, TruJet, Zoom Air, Air Carnival, Air Costa, Air Mantra, and Air Odisha. More recently, another regional carrier, Fly Big, suspended flight operations in October.

India has been a difficult market for airlines, particularly smaller regional carriers, due to factors like high price sensitivity, low profit margins, high and dollar-denominated operational costs, and high debt levels, among others. These factors mean that the airline sector has been more suited for large airlines with deep pockets and efficient operations and fleets. Most regional airlines do not have the required financial heft to maintain operational stability, and the resilience to absorb external shocks.

In the case of regional airlines, there can be additional constraints like limited demand and high seasonality of travel at smaller airports, making demand on such sectors inconsistent. Despite the rapid growth in passenger numbers, the bulk of the demand is concentrated at the large airports. Regional airlines, if not backed by a major carrier, also tend to find it difficult to access finance and debt as financiers associate a high level of risk with the segment.

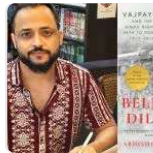
Further, the distances usually covered in regional flight operations tend to have more viable and cost-effective alternative modes of transport like trains and road transport, and regional airlines tend to find it difficult to generate supplementary revenue from ancillary streams like belly cargo.

However, there is hope among some quarters of the government, as well as the industry, that as the Indian aviation market matures with a growing and upwardly mobile middle class, the viability of regional airlines could improve. To ensure their success, they will have to ensure lean and cost-effective operations, identify and cater to underserved regions that have enough regional flight demand but have been neglected by the large airlines, and create a strong presence in specific target regions, an aviation analyst said. And importantly, they need solid financial backing to have a shot at success.

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