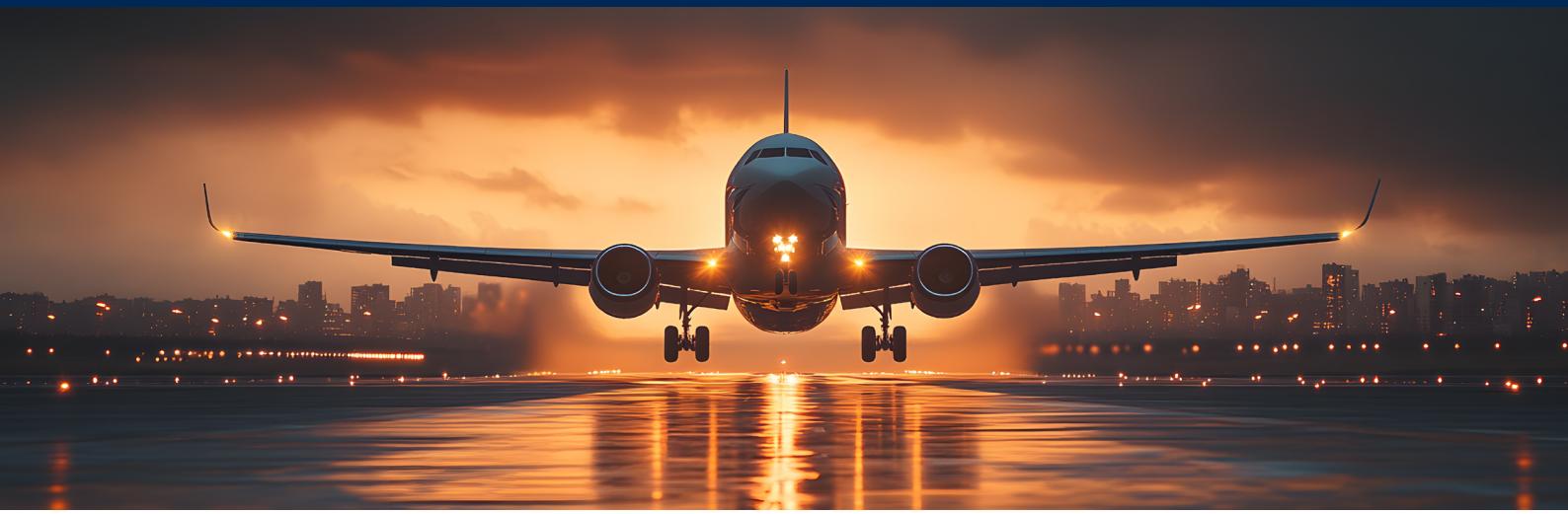




CLIENT UPDATE



Annual India Aviation Roundup 2025

Protection of Interests in Aircraft Objects Act, 2025 and GIFT City

In 2025, India enacted the Protection of Interests in Aircraft Objects Act, 2025 ("**Aircraft Objects Act**"), which came into force on May 1, 2025 and implements the Convention on International Interests in Mobile Equipment and its Aircraft Protocol ("**CTC Aircraft Protocol**") into domestic law, with the Directorate General of Civil Aviation ("**DGCA**") designated as the national registry authority for aircraft objects and international interests. The Act introduces internationally harmonised creditor remedies, including the right for creditors to repossess aircraft within a contracted period following default and a statutory framework for deregistration and export authorisation, thereby providing greater legal certainty for lessors and financiers. By giving effect to the CTC regime and creating enforceable rights that prevail over inconsistent domestic laws (subject to specified exceptions), the legislation significantly enhances the attractiveness of GIFT City as an aircraft leasing and financing hub, aligns India's legal framework with global aviation finance standards, and is expected to boost investor confidence and reduce leasing costs for Indian carriers.

Air India Crash and Subsequent Findings and Judgments

On June 12, 2025, Air India Flight AI 171, a Boeing 787 Dreamliner operating a scheduled service from Ahmedabad to London, was involved in an accident shortly after take-off, resulting in significant loss of life. The accident is under formal investigation by the Aircraft Accident Investigation Bureau, in accordance with the procedures set out under International Civil Aviation Organisation Annex 13.

The Aircraft Accident Investigation Bureau's preliminary report was limited to factual information, including aircraft particulars, flight

history, crew qualifications, meteorological conditions, and initial data recovered from flight recorders. Consistent with international practice, the preliminary report did not identify a probable cause or attribute responsibility to any individual or entity. The investigation has involved participation by international technical experts, including those associated with the aircraft manufacturer, Boeing, as provided for under Annex 13, given the aircraft's state of manufacture.

In proceedings before the Supreme Court of India on November 7, 2025, the Court clarified that the contents of the preliminary report did not support any finding of pilot error and emphasised that conclusions regarding causation could only be drawn after completion of the full technical investigation. The Court also reiterated the distinction between a safety investigation and determinations of civil or criminal liability.

Following the accident, Air India announced the provision of interim financial assistance of ₹25 lakh per deceased passenger and to the sole survivor, described as advance support to meet immediate needs and subject to adjustment against any final compensation determined later. Separately, Air India's parent, the Tata Group, publicly announced a voluntary ex-gratia payment of ₹1 crore for each deceased individual, to be disbursed through a dedicated charitable trust established for the welfare of victims' families. Under the Montreal Convention, 1999, an operating air carrier is subject to a two-tier liability regime for death or bodily injury of passengers arising from an international carriage by air. The carrier is strictly liable for proven damages up to 113,100 Special Drawing Rights per passenger (as periodically adjusted), without any requirement for the claimant to establish fault. For damages exceeding that threshold, the carrier may avoid further liability only by proving that the damage was not due to its negligence



CLIENT UPDATE

or wrongful act, or that it was solely caused by a third party. The compensation is ordinarily effected through settlements or court adjudication.

Separately from the safety investigation, families of victims have initiated civil claims seeking compensation. Considering the latest publicly available information, these claims are at various procedural stages, including jurisdictional filings and negotiations, and no consolidated judicial determination on liability has been reported. Further, authorities and courts have consistently noted that compensation proceedings are legally independent of the Aircraft Accident Investigation Bureau's investigation, and that the outcome of the safety investigation is not determinative of civil liability.

Draft Aircraft (Carriage of Dangerous Goods) Rules, 2025

The Ministry of Civil Aviation ("MOCA"), by a Notification dated June 19, 2025, published the draft Aircraft (Carriage of Dangerous Goods) Rules, 2025 ("2025 Rules"), proposing an updated regulatory framework governing the carriage, handling, packaging, documentation, and transport of dangerous goods by air. The draft Rules align India's regime more closely with international safety standards, strengthen operator obligations, enhance compliance and reporting requirements, and introduce clearer liability and enforcement provisions. Once finalised, the 2025 Rules are expected to modernise safety governance for hazardous materials carriage and impose more structured compliance expectations on airlines, cargo operators, ground handling agencies, and logistics stakeholders. Graded penalties up to ₹1 crore apply for violations. The 2025 Rules cover all aircraft in Indian airspace and Indian operators abroad. The draft Rules replace the Aircraft (Carriage of Dangerous Goods) Rules, 2003. Comments were invited for twenty one days from the date of publication in gazette.

Draft Bharatiya Vayyan Niyam, 2025 (Aircraft Rules)

Notified by MOCA on July 11, 2025 (effective publication July 14), these comprehensive draft rules operationalise the Bharatiya Vayyan Adhiniyam, 2024, applying to Indian aircraft worldwide and foreign ones in India (with Chicago Convention exceptions). They mandate onboard documents, prohibit arms carriage without permission, restrict aerodromes to licensed ones, and ban prohibited area overflights. Comments were invited for thirty days from July 14 (until August 13, 2025), without extensions.

Draft Civil Drone (Promotion and Regulation) Bill, 2025 and Evolving Drone Regulatory Landscape

India's drone ecosystem assumed greater operational and policy relevance as commercial unmanned aircraft systems deployment expanded across key sectors, alongside a decisive regulatory shift

toward the Draft Civil Drone (Promotion and Regulation) Bill, 2025 ("2025 Bill"). Released on September 16, 2025 by MOCA, it includes penalties for unregistered flights as cognizable offenses. The 2025 Bill proposes replacing the Drone Rules, 2021 with a comprehensive statutory framework introducing mandatory registration, type certification, licensed remote pilots, prescribed safety features, zonal airspace management, compulsory third-party insurance, and stronger enforcement architecture. Comments were invited for fourteen days from the date of publication in gazette until September 30, 2025, which was extended until October 15, 2025.

Draft Protection of Interests in Aircraft Objects Rules, 2025

MOCA, by a Notification dated September 18, 2025, published the Draft Protection of Interests in Aircraft Objects Rules, 2025 ("Draft Rules"), under Section 10(3) of the Protection of Interests in Aircraft Objects Act, 2025. The Draft Rules provide detailed procedures for registration of international interests in aircraft objects, maintenance of records of dues on an aircraft object, and remedies available to creditors in case of default. They also specify the forms for application for remedy, registration of interests, and other related matters. The Draft Rules aim to align India's aircraft leasing and financing ecosystem with global standards and facilitate faster repossession and deregistration of aircraft in case of defaults. Comments were invited for thirty days from the date of publication in gazette.

Implementation of Revised Flight Duty Time Limitations

The DGCA completed the phased implementation of the revised Flight Duty Time Limitations ("FDTL") framework on November 1, 2025. The revised regime seeks to align India's fatigue management standards with international best practices and introduces more stringent limits on flight hours, forty-eight hours weekly rest period and cumulative duty time. Airlines were required to undertake operational restructuring, including modifications to crew rostering systems and employment arrangements. From a compliance perspective, FDTL adherence emerged as a key regulatory focus area, with non-compliance attracting heightened supervisory attention and penalties up to one crore rupees per occurrence.

Ministry of Civil Aviation notifies Aircraft (Investigation of Accidents and Incidents) Rules, 2025

MOCA has notified the Aircraft (Investigation of Accidents and Incidents) Rules, 2025 ("Investigation Rules") under the Bharatiya Vayyan Adhiniyam, 2024, replacing the 2017 Rules framed under the Aircraft Act, 1934. The Investigations Rules expand the accident-investigation framework to cover unmanned aircraft systems and remotely piloted operations, introducing definitions for Remotely



Client Update

Piloted Aircraft System, remote pilot stations, and C2 links, and requiring remote pilots to notify occurrences to the Aircraft Accident Investigation Bureau and DGCA. Evidence-preservation obligations are similarly extended to unmanned aircraft and related systems. The Investigation Rules introduce a graded penalty framework through Schedule C. Pilots-in-command must report accidents within 24 hours, with provisions for preliminary inquiries by authorized persons. The rules empower DGCA to conduct investigations independently, focusing on prevention without blame.

IndiGo Operational Disruptions – December 2025

In early December 2025, IndiGo experienced a period of operational disruption, resulting in the cancellation of a significant number of flights between December 2 and December 8, 2025, affecting passengers across multiple domestic routes. The disruptions occurred against the backdrop of a peak travel season and the recent implementation of revised FDTL regulations, which required adjustments to crew deployment and rostering practices across the industry. The DGCA issued a show-cause notice to IndiGo on December 5, 2025, seeking clarification on operational planning and compliance measures. As an interim stabilisation measure, the Government directed a temporary reduction of approximately 10% in scheduled flights, with the objective of ensuring operational resilience and passenger safety while normalcy was restored.

IndiGo publicly acknowledged the disruptions and undertook corrective steps, including roster rationalisation, deployment of additional standby crew, and enhanced coordination with regulators. The airline reiterated that flight cancellations were implemented as a precautionary measure to remain compliant with safety and duty-time regulations. The episode drew attention to broader structural issues in India's rapidly expanding aviation sector, including workforce availability, regulatory transition management, and the systemic implications of market scale.

Regulatory engagement with the airline remains ongoing, and the episode has contributed to wider discussions on capacity planning, phased regulatory implementation, and resilience safeguards in a high-growth aviation market.

DGCA issued General Safety Circular 02/2025 on Advance Preparedness and Timely Compliance

DGCA issued General Safety Circular 02/2025 on December 11, 2025 to ensure advance preparedness and timely implementation of specific operating regulations issued through Civil Aviation Requirements ("CAR"), Aeronautical Information Circulars, and other circulars. Citing concerns over inadequate stakeholder readiness leading to safety risks and passenger inconvenience, the circular mandates stakeholders to prepare detailed implementation plans, ensure availability and functionality of essential resources, conduct dry runs where required, submit preparedness plans to DGCA ahead of regulatory effective dates, and undertake structured monitoring for at least six months with weekly reporting. This responds to operational disruptions that occurred with IndiGo, emphasizing proactive measures.

Aircraft Leasing Activity in IFSC GIFT City – 2025 Statistics

As per the International Financial Services Centres Authority ("IFSCA") Bulletin for July-September 2025 published on November 17, 2025, as of September 30, 2025, a total of 303 aviation assets have been leased including 134 aircrafts, 84 engines, and 85 Auxiliary Power Units. This reflects significant growth in aircraft leasing activities during 2025, driven by policy incentives and the enactment of the Protection of Interests in Aircraft Objects Act, 2025. The data highlights GIFT City's emerging role as a hub for aviation finance, with leading airlines like Air India and IndiGo establishing leasing arms there.

Please feel free to address any further questions or request for advice to:

Ankita Kumar

Partner

ankita.kumar@AMSShardul.com

Tanya Srivastava

Associate

tanya.srivastava@AMSShardul.com

Kaustubh Kumar

Associate

kaustubh.kumar@AMSShardul.com

Disclaimer

This is intended for general information purposes only. It is not a substitute for legal advice and is not the final opinion of the Firm. Readers should consult lawyers at the Firm for any specific legal or factual questions.