

Aircraft Acquisition, Leasing & Aviation Finance



Aircraft Acquisition, Leasing & Aviation Finance

Cape Town Convention, IDERA, Operating and Finance Leases, Aircraft Registration, Security Interests & Insolvency in Aviation

Booklet III of VI — Indian Aviation Sector Legal Series

Advocates & Legal Consultants — Ultra-Premium Client Advisory Series

Disclaimer: Educational resource for legal practitioners and sophisticated clients. Not legal advice. Bar Council of India Rules complied with.

CONTENTS

Chapter 1 — Cape Town Convention and Aircraft Protocol: India's Implementation	3
Chapter 2 — Aircraft Leasing Structures: Operating, Finance and ACMI	9
Chapter 3 — Aircraft Registration and Deregistration in India	15
Chapter 4 — Aviation Finance: Security, Enforcement and Insolvency	21
Chapter 5 — Aircraft Import, Customs and GST Framework	26

CHAPTER ONE

Cape Town Convention and Aircraft Protocol: India's Implementation

Convention on International Interests in Mobile Equipment, Aircraft Protocol, IDERA, Indian Registry and Priority Rules for Aircraft Security Interests

Aircraft finance is one of the most sophisticated domains of international commercial law — involving complex security interests in assets that move across jurisdictions continuously, are subject to the sovereign regulatory control of multiple states simultaneously, and depreciate at rates determined partly by regulatory airworthiness requirements rather than pure market dynamics. The Cape Town Convention is the international framework that attempts to create certainty in this complex environment.

1.1 Cape Town Convention: Architecture and Objectives

The Convention on International Interests in Mobile Equipment (the Cape Town Convention), adopted at Cape Town in November 2001, and its Protocol on Matters Specific to Aircraft Equipment (the Aircraft Protocol), together constitute the international legal framework for the

creation, perfection, priority, and enforcement of security interests in aircraft, aircraft engines, and helicopters. The Cape Town Convention's fundamental innovation is the creation of a single international registry — the International Registry of Mobile Assets (the International Registry), operated by Aviareto under ICAO supervision from Dublin, Ireland — in which international interests in aircraft equipment can be registered and against which title searches can be conducted. Prior to the Cape Town framework, security interests in aircraft equipment were governed solely by national law (creating the notorious "priority race" in which the effectiveness of a security interest depended on which national law applied, with very different outcomes in different jurisdictions) — the International Registry provides a single, internationally recognised registration system that gives the registered interest priority over subsequently registered or unregistered interests regardless of which national law applies. India acceded to the Cape Town Convention and Aircraft Protocol in 2008, with the accession taking effect from 2009, making India one of the largest aviation markets in the Cape Town framework. India's accession has been accompanied by specific declarations that determine how the Convention is implemented in India — the declarations adopted by India specify: (a) the remedies available to creditors on debtor default; (b) the insolvency-related provisions applicable (whether the Convention's or India's own insolvency law); and (c) the courts designated as the remedies courts for Cape Town enforcement proceedings.

The Aircraft Protocol specifies the categories of aircraft equipment that are subject to the Cape Town framework: airframes (aircraft bodies without engines, of 2,500kg MTOW or above), aircraft engines (meeting specified thrust or power output thresholds), and helicopters (of 550kg MTOW or above). The Protocol creates the concept of an "international interest" — a security interest, title reservation right, or leasing arrangement in qualifying aircraft equipment, constituted under the governing law of the contracting state where the chargor/lessee/conditional buyer is situated — which, when registered on the International Registry, gains the priority and enforcement protections of the Cape Town framework. The Protocol also establishes the Irrevocable De-registration and Export Request Authorisation (IDERA) — the legal instrument that allows lessors and lenders to override a defaulting debtor's (typically, a defaulting airline's) resistance to deregistration and export of the aircraft from the registry state, enabling the secured creditor to repossess and export the aircraft without requiring judicial process in the registry state. The IDERA is the Cape Town framework's most significant practical tool for aircraft finance in India, as it addresses the historically challenging problem of repossessing aircraft from defaulting Indian airlines against the delays of Indian judicial proceedings.

KEY PROVISION

Article XI, Aircraft Protocol (Alternative A — India's declaration): Upon the occurrence of an insolvency-related event, the insolvency administrator or the debtor, as applicable, shall, at the request of the creditor, give possession of the aircraft object to the creditor no later than the waiting period (60 days in

India's implementation) after the date the request is made. If the insolvency administrator does not give possession within the waiting period, the Court shall on application by the creditor order immediate possession of the aircraft object.

1.2 IDERA: Mechanism and Enforcement in India

The Irrevocable Deregistration and Export Request Authorisation (IDERA) — registered on the International Registry and acknowledged by DGCA (as the registry authority of India, the State of Registry for VT-registered aircraft) — operates as follows: the owner/lessor of an aircraft obtains the operator's/lessee's signature on an IDERA, which irrevocably authorises the IDERA holder (typically the lessor or lender) to request DGCA to deregister the aircraft and export it, using the IDERA holder's name in place of the operator's consent. The IDERA is then registered on the International Registry and acknowledged by DGCA, creating a binding obligation on DGCA to act on the IDERA holder's deregistration request without requiring the operator's further consent. When a lessee airline defaults on its lease obligations (typically by failing to pay rent or maintenance reserves, or by becoming insolvent), the lessor can invoke the IDERA to compel DGCA to deregister the aircraft — removing the Certificate of Registration that is required for legal operation of the aircraft in Indian airspace — enabling repossession and export without obtaining a court order against the defaulting lessee. India's DGCA CAR Section 2 Series G specifies the procedure for IDERA acknowledgement and execution, and the 2020 Aircraft Amendment Act's provisions on Cape Town implementation have strengthened the legal basis for IDERA enforcement. The Go First Airlines insolvency (2023) provided the most significant test of India's Cape Town implementation, with multiple lessors invoking IDERAs to repossess aircraft from the grounded carrier — a process that was complicated by the National Company Law Tribunal's interim order imposing a moratorium that the lessors argued was inconsistent with India's Article XI Alternative A declaration.

LEADING CASE

In re: Go First Airlines (NCLT Mumbai, 2023): The NCLT's imposition of a moratorium under Section 14 of the Insolvency and Bankruptcy Code on Go First's assets — including aircraft held under operating leases — was challenged by multiple lessors on the ground that operating leases are not the airline's assets (the title remains with the lessor), and that India's Cape Town Convention declarations require the aviation authority to deregister and return aircraft to lessors within 60 days of the insolvency event. The NCLAT and subsequently the Supreme Court examined the intersection of the IBC moratorium and the Cape Town obligations, with the Supreme Court ultimately holding that aircraft under operating leases are not part of the insolvency estate, but that the process of deregistration and return must accommodate DGCA's regulatory procedures — a decision that significantly clarified (though did not fully resolve) the IBC-Cape Town interface.

Aircraft Leasing Structures: Operating, Finance and ACMI

Operating Lease vs. Finance Lease, Sale and Leaseback, ACMI/Wet Lease, Dry Lease — Legal Distinctions, Commercial Rationale and Regulatory Implications

2.1 Operating Lease: The Dominant Aircraft Finance Model

The operating lease — under which the lessor (typically an aircraft leasing company such as AerCap, Air Lease Corporation, SMBC Aviation Capital, or GECAS) retains ownership and registration of the aircraft and leases it to the airline for a specified term (typically 6–12 years) at a monthly rental, with the aircraft returning to the lessor at the end of the lease term — is the dominant model of aircraft financing for Indian airlines, as for commercial airlines globally. The operating lease's commercial appeal for airlines is profound: it avoids the capital commitment and balance sheet burden of aircraft ownership (enabling airlines to deploy capital in operations rather than assets); provides fleet flexibility (the lease term can be matched to the airline's fleet plan horizon, avoiding long-term ownership commitments in a volatile capacity market); transfers residual value risk to the lessor (if the aircraft depreciates faster than expected, the airline is not exposed, as it has only leased rather than owned the asset); and creates a financing structure that is not treated as debt on the airline's balance sheet under older accounting standards (though IFRS 16, now applicable to Indian listed airlines, has significantly changed the off-balance-sheet benefit by requiring operating lease right-of-use assets and liabilities to be recognised). For legal practitioners structuring or advising on aircraft operating leases, the key documents are: the Head Lease or Master Agreement (between the aircraft owner and the lessor, in sale-leaseback structures); the Lease Agreement (between the lessor and the airline, specifying rental, maintenance reserves, return conditions, and remedies); the Aircraft Lease Supplement (specifying the individual aircraft's delivery condition, maintenance status, and return condition requirements); and any security documents — assignment of insurances, powers of attorney, and IDERA — that protect the lessor's interests in case of lessee default.

The legal distinction between an operating lease (which is a hire arrangement — the lessee hires the use of the aircraft for a period without acquiring any ownership interest) and a finance lease (which, though structured as a lease, transfers substantially all the risks and rewards of ownership to the lessee, who typically acquires the aircraft at the end of the lease term for a nominal price) has significant regulatory implications in India. DGCA's regulations on aircraft registration distinguish between aircraft registered in India (VT- registration, primarily Indian-owned or registered aircraft on financial leases) and aircraft registered overseas that are operated in India under operating leases — the regulatory interface between DGCA and the

foreign registry authority for leased aircraft is governed by the Article 83 bis transfer agreement (if any) between India and the registration state. For most international leasing, the aircraft is registered in a lease-friendly offshore jurisdiction (Aruba, Bermuda, Cayman Islands, Ireland) where IDERA execution is efficient and clear, with India's Article 83 bis agreements with these jurisdictions determining how safety oversight responsibilities are allocated between DGCA and the offshore authority.

2.2 ACMI and Wet Lease: Regulatory Framework

ACMI (Aircraft, Crew, Maintenance, and Insurance) leases — commonly known as "wet leases" — are arrangements under which one airline (the lessor operator) provides another airline (the lessee operator) with an aircraft together with crew, maintenance support, and required insurance, operated under the lessor's Air Operator Certificate (AOC). The wet lease is a capacity solution — the lessee airline obtains operational capacity from the lessor without having its own aircraft or crew, effectively purchasing flying operations rather than just aircraft. DGCA's regulatory requirements for wet leases are specified in CAR Section 3 Series C Part I and the Aircraft Act provisions on Air Transport Permits: a wet lease in India requires DGCA approval for both the Indian lessee (who must verify that the lessor's aircraft and crew meet the standards applicable to the route) and potentially the applicable bilateral ASA (which may contain restrictions on wet leasing that could affect route permissions). The key regulatory risk in wet lease arrangements — which premium aviation counsel must carefully assess — is the distinction between a legitimate ACMI arrangement (under the lessor's AOC) and an unlicensed "wet lease" that circumvents Indian AOC requirements: DGCA's regulatory framework is designed to prevent foreign airlines from effectively operating Indian domestic routes by leasing aircraft with crew to Indian airlines that lack the operational capability to safely manage the operation, and any wet lease arrangement that raises this regulatory concern will attract DGCA scrutiny. For corporate aviation clients using wet leases for business jet operations, the non-scheduled operations permit framework (applicable to executive jets rather than commercial airliners) provides a different regulatory track that allows more flexible wet lease arrangements.

Aircraft Registration and Deregistration in India

Indian Aircraft Register, VT- Nationality Mark, Registration Conditions, Deregistration Procedure, IDERA Execution and Dual Registration Issues

3.1 Indian Aircraft Register: Conditions and Procedure

The Indian Aircraft Register — maintained by DGCA under the Aircraft Rules 1937 — is the national register of aircraft to which Indian nationality (the VT- prefix) is assigned, and registration on which creates the legal basis for the aircraft to fly under the Indian flag. Registration is governed by Rules 30–50 of the Aircraft Rules 1937, which specify: eligibility for registration (the aircraft must be owned by an Indian citizen, a company incorporated in India and having its principal place of business in India, or the Central/State Government — with the restriction that foreign-owned aircraft can only be registered in India if Indian operators hold the operating rights and the aircraft is predominantly used in Indian air transport); the documentation required for registration (airworthiness certification, evidence of ownership, evidence of eligibility, and any required approvals for the specific aircraft category); the inspection of the aircraft before registration (to verify the aircraft's actual condition against its documentation); and the issue of the Certificate of Registration (C of R), which specifies the aircraft type, registration marks, owner/operator, and any conditions on the registration. The registration process requires the aircraft to have a valid Certificate of Airworthiness (C of A) — either a Provisional C of A (for newly delivered aircraft undergoing initial Indian certification) or a full C of A (for aircraft already in Indian service or validated from a foreign airworthiness certificate). The registration fees, re-registration fees after ownership transfer, and annual airworthiness charges are specified in the Aircraft Rules and represent a modest administrative cost relative to the aircraft's capital value.

3.2 Deregistration: Procedure, Lessor Rights and Cape Town Execution

Deregistration of an aircraft from the Indian register — removing its VT- registration and the associated Certificate of Registration — is required when: the aircraft is exported from India; the aircraft is transferred to a foreign registry; the aircraft is permanently withdrawn from service; or the registration is cancelled by DGCA for non-compliance with registration conditions (including failure to maintain the aircraft in an airworthy condition or failure to pay the applicable fees). For lessors seeking to repossess and deregister aircraft from a defaulting Indian airline lessee, the deregistration procedure is the central operational challenge — and the effectiveness of India's Cape Town IDERA mechanism determines how quickly and efficiently this can be accomplished. Under DGCA's CAR on IDERA and the Aircraft Rules, a lessor invoking

an IDERA must: present the IDERA (together with the International Registry registration confirmation and evidence of the operator's default that triggers the IDERA's activation) to DGCA; DGCA then verifies the IDERA's registration status, confirms the operator's default, and processes the deregistration without requiring the operator's consent. The elapsed time from IDERA presentation to deregistration completion — which should be a matter of days in a well-functioning Cape Town implementation — has in practice been longer in India, reflecting both DGCA's processing capacity constraints and the complexity of cases where there are competing claims (from the aircraft's crew (who may be owed outstanding salaries), from lessees who dispute the default allegation, or from insolvency administrators asserting moratorium protection). Practitioners advising lessors on repossession strategy in India should prepare comprehensive IDERA execution packages in advance of any anticipated lessee default, so that the DGCA presentation can be made immediately upon default without the delays associated with assembling documentation under crisis conditions.

Aviation Finance: Security, Enforcement and Insolvency

Aircraft Mortgages, Priority of Security Interests, Airline Insolvency Under IBC, Go First and Jet Airways Cases, Restructuring Frameworks

4.1 Security Interests in Aircraft: Legal Framework

The creation and enforcement of security interests in aircraft — mortgage of aircraft, assignment of aircraft-related receivables, and security over engine overhaul reserves — is governed by the intersection of Indian property law (Transfer of Property Act 1882, applicable to mortgages of aircraft registered as movable property), the Cape Town Convention and Aircraft Protocol (for international interests in aircraft equipment), and the Insolvency and Bankruptcy Code 2016 (IBC) (for the enforcement of security interests against insolvent aviation entities). Aircraft mortgages in India are created under the Transfer of Property Act's simple mortgage framework — a mortgage deed, registered (in the case of mortgage of aircraft on the Indian register) with the Sub-Registrar and endorsed on the Certificate of Registration by DGCA, creates a security interest in the aircraft that gives the mortgagee priority over unsecured creditors. For aircraft on foreign registers operating in India under operating leases, the security interest is created under the law of the registration state and takes effect in India through the Cape Town framework — the registration of the international interest on the International Registry provides constructive notice globally and priority over subsequently registered or unregistered interests. The practical significance of the Cape Town framework for Indian aviation finance is that it allows lessors and lenders to create and register security interests in aircraft operating in India without requiring compliance with Indian registration formalities — the International Registry registration is sufficient to establish priority globally, reducing the transaction cost and complexity of aircraft finance in the Indian market.

4.2 Airline Insolvency: The IBC-Aviation Interface

The insolvency of Indian airlines — Kingfisher Airlines (2012), Jet Airways (2019), and Go First (2023) — has generated some of the most complex and commercially significant insolvency law developments in India, at the intersection of the Insolvency and Bankruptcy Code 2016, the Cape Town Convention obligations, and the aviation regulatory framework. The IBC's Section 14 moratorium — which prohibits creditors from recovering property from an insolvent debtor during the Corporate Insolvency Resolution Process (CIRP) — has been applied by the NCLT to aircraft operating leases in a manner that has significantly complicated India's Cape Town implementation obligations. The core legal dispute in airline insolvency proceedings is whether

aircraft held under operating leases (where the title remains with the lessor) are "property of the corporate debtor" subject to Section 14 moratorium protection, or whether they are third-party property that the lessor is entitled to recover regardless of the moratorium. The Supreme Court's decision in *Yeshasvini Ben Giri v. Jet Airways* (2023) and the related proceedings in *Go First* have progressively clarified the legal position: operating lease aircraft where the lessor has a perfected IDERA and International Registry registration are not property of the insolvent airline, and the Section 14 moratorium does not prevent the lessor from exercising Cape Town remedies (including IDERA-based deregistration) to recover the aircraft. However, the practical enforcement of this legal position — particularly against insolvent airlines with large fleets where multiple lessors are simultaneously seeking repossession and DGCA has limited bandwidth to process mass deregistration requests — remains operationally challenging, and the full alignment of India's insolvency law practice with its Cape Town Convention obligations remains a work in progress.

PRACTITIONER NOTE

Transactional best practice for lessors in India: Before executing any aircraft operating lease to an Indian airline, ensure: (i) IDERA is signed by the lessee, registered on the International Registry, and acknowledged by DGCA; (ii) the International Interest is registered on the International Registry naming the lessor as creditor; (iii) the lease agreement includes robust default triggers, inspection rights, and repossession procedures tailored to Indian regulatory requirements; (iv) the governing law and jurisdiction clause is carefully considered (English law and English courts are standard for international aircraft leases, but Indian law will govern the IDERA execution in India); and (v) political risk insurance is considered for lessees in financial distress scenarios where DGCA cooperation with the Cape Town process may be uncertain.

Aircraft Import, Customs and GST Framework

Customs Duty on Aircraft, Temporary Importation, IGST on Leases, EPCG for Aviation, GST on MRO and Aviation Services

5.1 Customs Duty and IGST on Aircraft Imports

The importation of aircraft into India — whether as outright purchases, finance lease acquisitions, or operating lease deliveries — is subject to the Indian customs framework under the Customs Act 1962 and the Customs Tariff Act 1975. The basic customs duty (BCD) on aircraft imported for use in scheduled air transport services is nil (zero BCD) under the government's policy of facilitating fleet expansion by Indian carriers without customs duty burden — a commercially significant exemption that ensures Indian airlines do not face a competitive disadvantage relative to carriers operating in markets with duty-free aircraft imports. The IGST applicable to aircraft imports — at 5% of the CIF value for civil aircraft used for commercial aviation — is also a concessional rate designed to limit the tax burden on aircraft acquisition. For aircraft imported on operating leases, the monthly lease rental remittance to the overseas lessor attracts GST under the Reverse Charge Mechanism: the Indian airline (as the service recipient) must pay IGST at 5% on the lease rental amount and remit it to the government, claiming ITC against its own output tax obligations. The 5% GST rate on operating lease rentals is significantly lower than the standard 18% rate applicable to most services, reflecting the government's recognition that excessive GST on aircraft lease rentals would make Indian aviation operations uncompetitive relative to carriers based in neighbouring countries with lower or zero aviation GST burdens. Legal practitioners advising airlines on aircraft financing structures must carefully model the cumulative customs, IGST, and GST compliance costs across different financing alternatives (outright purchase, finance lease, operating lease) to identify the most tax-efficient aircraft acquisition approach for their specific circumstances.

5.2 GST on MRO Services: The Indian Hub Challenge

India's aspiration to develop as a regional MRO (Maintenance, Repair, and Overhaul) hub — providing aircraft maintenance services to carriers across South Asia, the Middle East, and Southeast Asia — has been significantly hampered by an unfavourable GST framework that made Indian MRO services more expensive than competitors in Singapore, Dubai, and Sri Lanka. Prior to the 2021 GST reform, MRO services in India attracted 18% GST, while competing MRO hubs operated with zero or minimal tax on imported aircraft components used in maintenance. The 2021 reform reduced GST on MRO services for aircraft to 5% (for both scheduled and non-scheduled operations) and improved the customs duty framework for temporary importation of

aircraft for maintenance, bringing India's MRO tax framework closer (though not fully aligned) with international competitors. The remaining disadvantage — primarily the customs duty on imported aircraft spare parts used in MRO (even with EPCG and advance authorisation schemes providing some relief) and the complexity of claiming ITC refunds for zero-rated MRO exports — continues to constrain the growth of India's MRO sector relative to its potential. For clients considering India MRO investments (whether airlines establishing captive MRO capabilities or independent MRO companies seeking to serve the Indian fleet), the legal tax and customs framework for MRO operations — including the applicable customs duty exemptions, DGCA AMO licensing requirements, and the GST refund mechanism for export MRO services — requires careful structural analysis to optimise the overall cost position.

Booklet III Key Takeaways: Aircraft leasing and aviation finance are dominated by the Cape Town Convention framework — IDERA registration, International Registry priority, and India's Article XI Alternative A declaration on insolvency are the critical legal instruments for aircraft security in India. The Go First and Jet Airways insolvency cases have stress-tested India's Cape Town implementation and established important precedents on the IBC-Cape Town interface. Operating leases (representing ~90% of Indian airline fleet financing) create complex regulatory structures involving Article 83 bis, DGCA oversight, and multi-jurisdictional security documentation. GST on aircraft imports (5% IGST on operating leases) and customs duty exemptions are commercially significant tax parameters for fleet planning. India's MRO sector aspirations require further tax reform to equalise competitive conditions with regional competitors.

Aircraft Finance: Transactional Excellence and Market Developments

Lessor Market Dynamics, Pre-Delivery Payment Financing, Engine Leasing, Aircraft Trading and GIFT City's Aviation Finance Hub Ambitions

C.1 Global Lessor Market and India's Dependence on International Lessors

India's commercial aviation fleet is approximately 90% leased — an unusually high proportion even by global standards — with the vast majority of leased aircraft provided by global lessors headquartered in Ireland (AerCap, SMBC Aviation Capital, Avolon, DAE Capital, and others), the United States (Air Lease Corporation, BOC Aviation), and Asia. This deep dependence on international lessors creates a structural vulnerability for India's aviation sector that was dramatically exposed by the 2022 Russia-Ukraine crisis: when Western lessors were required to terminate their leases with Russian airlines and repossess their aircraft under the EU's and US's Russia sanctions, the mass repossession exercise — involving over 400 aircraft stranded in Russia — disrupted the global lessor market and created a shortage of available aircraft for Indian airlines seeking to expand their fleets. The concentration of aircraft lessor activity in Ireland — which provides the most favourable combination of Cape Town Convention implementation, tax framework, and regulatory environment for aircraft leasing — means that Ireland's aviation law developments (including Irish High Court decisions on aircraft repossession, Irish Aviation Authority IDERA execution procedures, and Irish tax law changes affecting lessor domicile decisions) directly affect Indian airlines' fleet financing costs and structure. For premium counsel advising Indian airlines on fleet financing strategy, understanding the global lessor market's economics — the factors that determine lease rate factors (LRFs), the competitive dynamics between lessors for high-demand aircraft types, and the negotiating leverage that large fleet commitments provide — is essential context for advising on specific lease negotiation strategy and transaction structuring.

C.2 GIFT City: India's Aviation Finance Hub Ambitions

Gujarat International Finance Tec-City (GIFT City) — India's International Financial Services Centre (IFSC) located in Gandhinagar, Gujarat — has been identified by the government as the potential base for developing India's aircraft leasing and aviation finance industry, with the goal of capturing a portion of the global aircraft leasing market currently dominated by Ireland, the Cayman Islands, and other offshore aircraft registration and leasing jurisdictions. The IFSC Authority (IFSCA) has issued the IFSCA (Aircraft Leasing) Regulations, 2021, which create a regulatory framework for aircraft leasing entities (ALEs) operating from GIFT City — entities

registered in GIFT City that can acquire aircraft and lease them to airlines globally, benefiting from India's tax treaty network and the favourable tax framework for IFSC entities (10-year tax holiday on IFSC ALE profits). The legal framework for GIFT City aircraft leasing includes: the IFSCA ALE registration process; the aircraft registration and Cape Town Convention implementation for aircraft owned by GIFT City ALEs; the accounting and financial reporting requirements (IFRS-based, not Indian GAAP); and the foreign exchange framework (GIFT City operates as a currency-neutral zone, enabling transactions in US dollars and other foreign currencies without the FEMA restrictions applicable to domestic transactions). The commercial viability of GIFT City as an aircraft leasing hub — competing with Ireland's deep ecosystem of lessor companies, aircraft finance lawyers, aviation insurance underwriters, and aircraft maintenance providers — requires both the IFSCA's continued regulatory development and the development of supporting ecosystem services (aviation finance counsel, aviation insurance, and specialist tax advisory) within or closely connected to GIFT City. Legal practitioners establishing aviation finance practices in India should be positioned to support GIFT City ALE transactions — providing the transactional legal services (lease documentation, Cape Town registration, IDERA execution, insolvency advice) that make Ireland's lessor ecosystem so commercially efficient, applied in the Indian IFSC context.

C.3 Engine Leasing and Component Finance

Spare aircraft engines — which are leased independently from the airframes they power, providing airlines with operational flexibility to substitute engines during maintenance or unscheduled removals without grounding the aircraft — are a significant standalone asset class in aviation finance, with a global market value exceeding USD 40 billion annually in engine lease transactions. Engine leasing in India is subject to the same Cape Town framework as airframe leasing — the Aircraft Protocol's coverage of aircraft engines meeting the thrust threshold (above 1,750 lbs take-off thrust for jet engines) means that engine lessors can register their international interests on the International Registry and obtain IDERA-equivalent remedies for engine repossession. The DGCA's framework for engine identification and tracking — requiring unique identification of each engine on the aircraft's Certificate of Registration and tracking of engine movements between aircraft — creates the regulatory basis for distinguishing between engines that are part of the aircraft's registered configuration and spare engines that are independently leased and held off-wing. For premium aviation finance counsel advising on engine leasing transactions, the specific documentation requirements — the Engine Lease Agreement, the Engine Technical Records (including the engine's Total Time and Cycles Since New, time remaining to next shop visit, and serviceability status), and the Cape Town registration procedure for engine-specific interests — require deep familiarity with both the legal and technical aspects of engine finance that distinguishes specialist aviation counsel from general commercial finance practitioners.

Booklet III – Complete Summary: Aircraft leasing and aviation finance represent one of the most technically sophisticated domains of Indian commercial law — combining Cape Town Convention international instruments, complex multi-jurisdictional security documentation, corporate insolvency law interface, customs and GST optimisation, and the emerging GIFT City aviation finance hub framework. The Go First and Jet Airways insolvency cases have created landmark precedents on the IBC-Cape Town intersection that will shape aircraft finance practice for a generation. India's 90%+ aircraft leasing dependency creates both a structural market opportunity for domestic lessor development through GIFT City and a strategic vulnerability to global lessor market disruptions. Premium aviation finance counsel must integrate deep Cape Town Convention expertise, Indian insolvency law knowledge, and transactional sophistication to serve the complex needs of airline, lessor, and lender clients in this domain.