

IndiGo secures Japanese equity financing for aircraft in first for Indian carrier

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Dhaka: India's largest airline, IndiGo, has secured Japanese equity financing for two Airbus A320 family aircraft, marking a first-of-its-kind transaction for an Indian carrier.

The financing was executed through a Japanese Operating Lease with Call Option (JOLCO) structure, a model widely used by leading global airlines. The arrangement is considered more cost-effective than conventional debt funding and opens access to a funding pool historically reserved for top-tier international operators.

Industry experts described the deal as a watershed moment for aircraft financing in India, signaling growing confidence in the credit profile of Indian airlines and the country's evolving legal framework.

Under the JOLCO structure, Japanese corporates or high-net-worth

individuals invest equity alongside bank-provided debt. The aircraft is then leased to the airline, which retains the option to purchase it at the end of the lease tenure.

Japanese tax regulations allow investors to claim depreciation benefits, enabling them to accept lower lease returns. As a result, airlines can secure more competitive lease rates compared to traditional financing mechanisms.

The transaction has been routed through Gujarat International Finance Tec-City, a special economic zone offering tax incentives to aircraft leasing entities registered under the International Financial Services Centre (IFSC).

To facilitate the deal, IndiGo established a dedicated leasing arm, InterGlobe Aviation Financial Services IFSC Private Limited, under the GIFT City framework.

For years, Indian carriers struggled to access JOLCO structures due to perceptions of elevated risk, particularly after high-profile airline bankruptcies and concerns over insolvency enforcement.

The collapse of Go First had intensified apprehensions among lessors, who viewed India as a challenging jurisdiction for aircraft repossession.

However, legislative reforms introduced in February aligned India more closely with the Cape Town Convention. The updated provisions allow aircraft lessors to reclaim assets within 60 days in the event of bankruptcy, significantly reducing jurisdictional risk.

GIFT City has also addressed the lack of a double taxation avoidance agreement between India and Japan, which had previously made direct JOLCO transactions impractical.

Legal experts said the combination of regulatory reforms, improved credit strength among Indian airlines, and tax-efficient routing through the IFSC has unlocked new financing channels for the country's rapidly expanding aviation sector.