

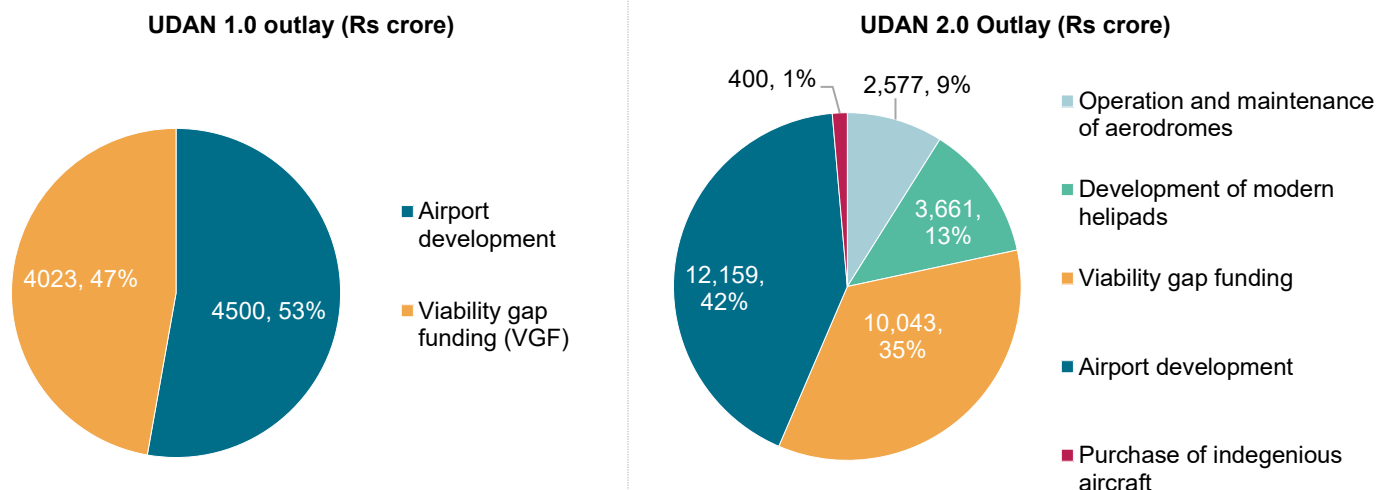
# Regional aviation gains altitude on UDAN 2.0

Impact note | April 2026

The Government of India announced UDAN 2.0 (Ude Desh ka Aam Nagrik) on March 25, 2026, earmarking a capital of Rs 28,840 crore to develop 100 new airports and 200 helipads over fiscals 2027-2036. The latest regional connectivity scheme considerably builds on UDAN 1.0, which had an outlay of Rs 8,523 crore and was implemented over fiscals 2017-2026.

Also, as compared with UDAN 1.0's primary focus on enhancing regional connectivity by incentivising airlines through route-based viability gap funding (VGF), fare caps and revival of unserved/underserved airports, and strong emphasis on expanding network reach, UDAN 2.0 adopts a more holistic approach, such as dedicated allocations towards airport operations and maintenance (9%) to ensure continued operations on UDAN airports, development of helipads (13%) for serving underserved and far off regions, extended VGF support (35%) for sustaining thinner routes, and acquisition of indigenously manufactured aircraft (1%) to strengthen domestic aircraft manufacturing capabilities, apart from the core initiative of developing airports (42%).

Hence, UDAN 2.0 represents a step-up in both scale and scope, shifting from a connectivity initiative to a structural aviation infrastructure programme.



Source: Ministry of Civil Aviation, Crisil Intelligence

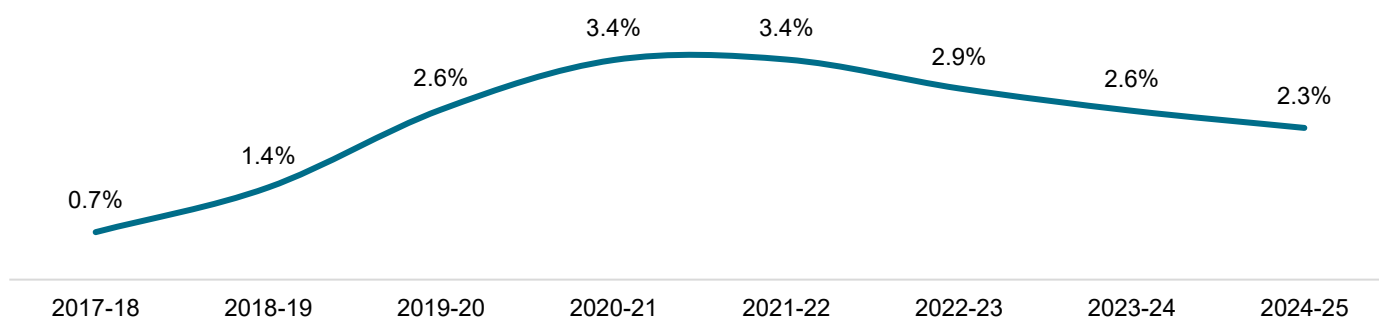
Since its launch, UDAN has played a role in enhancing last-mile connectivity, particularly across underserved and unserved regions. Under 1.0, 79 new airports have been operationalised, significantly increasing the overall airport base in the country to 163 in fiscal 2026 from 77 in fiscal 2016. Consequently, the share of UDAN airports in total airports have increased to 58% from 21% over the period.

Under UDAN 1.0, connectivity gaps across all the length and breadth of the country were progressively addressed by bringing several previously underserved and remote locations onto the aviation map, with a strong focus on the North-East (e.g., Arunachal Pradesh, Assam and Meghalaya), the Himalayan states (Himachal Pradesh and Uttarakhand) and parts of Eastern India, including Odisha, Jharkhand and Bihar.

The western and southern regions saw improved connectivity to tier II and III cities as well, though these were relatively better served to begin with.

While UDAN airports now account for ~58% share of airports in India, these typically have limited flight operations. Despite this expansion, UDAN airports have contributed a relatively small share to total domestic passenger traffic, ranging 2-3%. However, their importance has been more structural than volumetric. The share increased from 0.7% in FY18 to a peak of 3.4% during FY21–FY22, before moderating to 2.3% in FY25. The higher share during the COVID period highlights the role of UDAN routes in maintaining essential connectivity to underserved destinations used by migratory traffic when broader aviation demand was impacted.

**Share of UDAN airports in domestic passenger traffic**

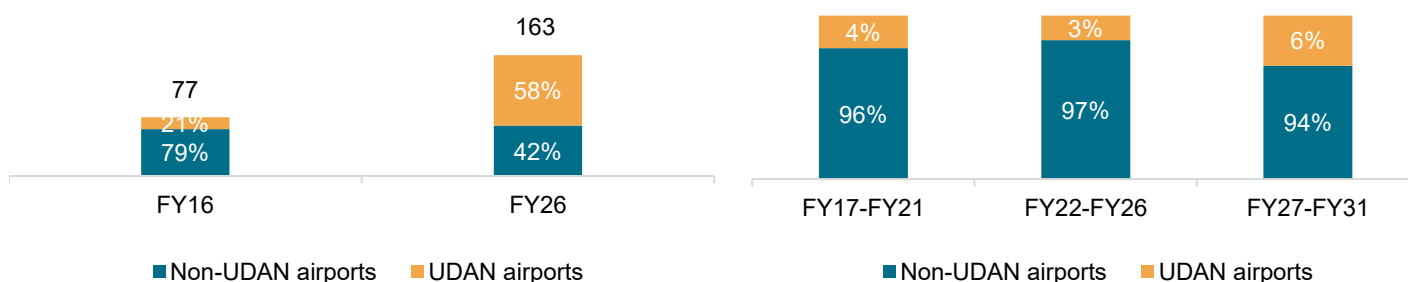


Source: Directorate General of Civil Aviation, Airports Authority of India (AAI), Company reports, Crisil Intelligence

From an investment perspective, UDAN’s share in total airport capex has historically remained limited at 2–5%. Under UDAN 2.0, this is expected to double with the increase meaningfully moving up the share to 6% over FY27–FY31, driven by the higher capital outlay, signalling a stronger push towards regional infrastructure development.

**Growth in operational airports**

**Capex split between UDAN and Non-UDAN airports**



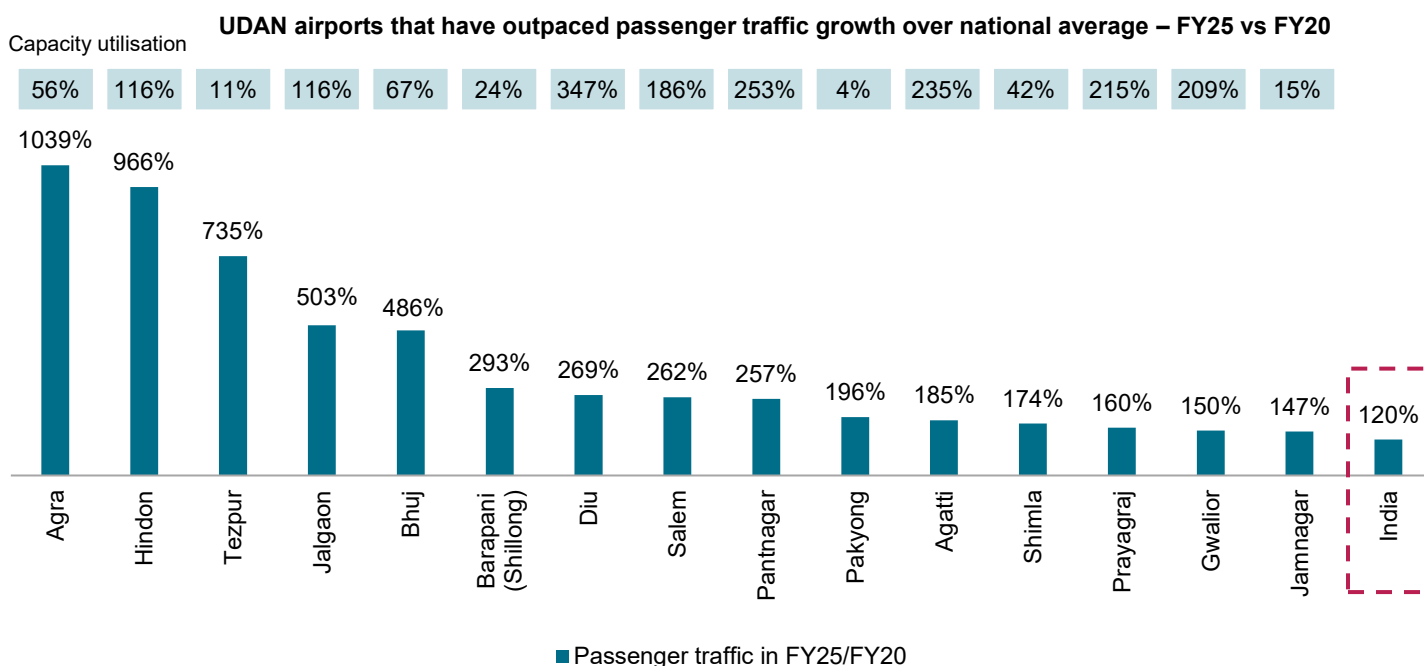
Note: Chart is not to scale

Source: Directorate General of Civil Aviation, Airports Authority of India (AAI), Company reports, Crisil Intelligence

Among all UDAN-enabled airports, only Hindon and Kannur have uniquely surpassed the 1 million annual passenger mark in FY26. This milestone was achieved primarily due to increased capacity deployments by airlines, underscoring the effectiveness of the UDAN scheme in stimulating demand and supporting significant traffic ramp-up at these locations. This demonstrates that increasing capacity deployment can directly lead to higher passenger numbers, highlighting the importance of continued investment in infrastructure and airline operations. However, the airports are among the larger airports serving a wider catchment area which enabled scaling up of passenger traffic.

UDAN 2.0 is expected to deepen connectivity in yet underserved pockets, particularly in the North-East and northern hilly terrains, along with remote and aspirational districts in central and eastern India. Additionally, the scheme is likely to enhance last-mile access in island and coastal regions, such as Andaman and Nicobar, and Lakshadweep, and expand helicopter and small aircraft connectivity in challenging terrains, thereby shifting the focus from broad regional coverage to more granular, last-mile and terrain-specific connectivity gaps.

Another encouraging factor is the passenger traffic at UDAN and regional airports, which have sharply increased post-Covid-19 (i.e., fiscals 2020-2025), significantly surpassing the national average. While overall India passenger traffic grew 1.2x over the period, several regional airports have recorded growth in multiples. Agra, Hindon and Tezpur airports have seen exponential growth (7-10x), whereas Jalgaon, Bhuj and Diu have grown 3-5x. This indicates that traffic recovery and growth have been much stronger at smaller, underserved airports, albeit on a lower base.



Source: AAI, Crisil Intelligence

The trend highlights the impact of UDAN in stimulating demand and improving connectivity in tier II/III cities, where incremental capacity deployment has led to disproportionately higher traffic growth vs the overall aviation market.

Going forward, while the share of passenger traffic from UDAN routes is expected to be broadly stable, the continued expansion in airport infrastructure and route connectivity is likely to further strengthen India's regional aviation network by adding more underserved airports and making air travel accessible to the wider Indian populace, while also enabling airlines to expand their network post developing routes aided by the VGF funding. The support for acquisition of indigenous regional aircraft should also aid in improving passenger numbers under the UDAN scheme.

UDAN 2.0, therefore, represents a continuation of the existing framework, with an increased focus on scale, accessibility and operational sustainability.

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