

**GOVERNMENT OF INDIA  
CIVIL AVIATION  
LOK SABHA**

UNSTARRED QUESTION NO:560

ANSWERED ON:27.02.2013

FDI IN CIVIL AVIATION SECTOR

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**Will the Minister of CIVIL AVIATION be pleased to state:**

- (a) whether the Foreign Direct Investment (FDI) policy in the civil aviation sector was reviewed in the recent past;
- (b) if so, the details and the outcome thereof;
- (c) whether the Government proposes to allow foreign airlines to take up 49 percent stake in domestic airlines;
- (d) if so, the details thereof and the reasons therefor along with its likely impact on domestic sector;
- (e) whether international airlines are not keen to invest in India, and;
- (f) if so, the details thereof and the reasons therefor along with the steps taken by the Government to protect the indigenous interests in this regard?;

**Answer**

Minister of State in the Ministry of CIVIL AVIATION ( SHRI K. C. VENUGOPAL )

(a) to (d): Yes, Madam. The private airlines in the country are in dire need of funds for their operations and service upgradation to compete with other global carriers. Denial of access to foreign capital could result in the collapse of domestic airlines, creating a systemic risk for the financial institutions, and a vital gap in the country's infrastructure. Hence, Government has decided to permit foreign airlines to invest in the capital of Indian companies operating scheduled and nonscheduled air transport services, up to the limit of 49 percent of their paid-up capital. The purpose of removing the existing restriction on investment by foreign airlines is to bring in strategic investors, as few private equity investors would be willing to invest in a risky business like civil aviation.

(e) and (f): Foreign airlines like Air Asia, Farnair etc. have shown interest to invest in the aviation sector in India. To protect the indigenous interest, the provision for investment by foreign airlines has been made subject to conditions which include:

- (i) It would be made under the Government approval route.
- (ii) The 49 percent limit will subsume FDI and FII investment.
- (iii) The investments so made would need to comply with the relevant regulations of SEBI.
- (iv) A Scheduled Operator's Permit can be granted only to a Company:
  - a) that is registered and has its principal place of business within India.
  - b) the Chairman and at least two-thirds of the Directors of which are citizens of India and
  - c) the substantial ownership and effective control of which is vested in Indian nationals.