

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4663
ANSWERED ON:21.02.2014
ECB IN AVIATION SECTOR
Viswanathan Shri P.

Will the Minister of FINANCE be pleased to state:

- (a) the purposes for which External Commercial Borrowing (ECB) facility are permitted to be utilised;
- (b) whether the Government has approved ECB for aviation sector to raise working capital and if so, the details thereof;
- (c) the amount of ECB permitted for the aviation sector and the individual cap limit for a single unit; and
- (d) the approved source of ECB and method of repayment thereof along with extent of flexibility in maturity period being given to the sector?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): External Commercial Borrowings (ECB) can be raised for investment such as import of capital goods (as classified by DFGT in the Foreign Trade Policy), new projects, modernization /expansion of existing production units in real sector- industrial sector including small and medium enterprises (SME), infrastructure sector and specified service sectors, namely, hotel hospital and software in India.

(b): Yes Sir. The civil aviation sector was permitted to raise ECB for working capital from April 24, 2012 to December 31, 2013, in terms of Reserve Bank of India A.P. (DIR Series) Circular No. 113 dated April 24, 2012 and A.P. (DIR Series) Circular No. 116 dated June 25, 2012. Details are as follows:

(i) Airline companies registered under the Companies Act, 1956 and possessing scheduled operator permit license from DGCA for passenger transportation are eligible to avail of ECB for working capital;

(ii) ECB will be allowed to the airline companies based on the cash flow, foreign exchange earnings and its capability to service the debt;

(iii) The ECB can be raised with a minimum average maturity period of three years;

(iv) The ECB for the purpose was initially allowed for a period of 12 months, up to April 2013 and subsequently extended.

(c) The overall ECB ceiling for the entire civil aviation sector would be USD one billion and the maximum permissible ECB that can be availed by an individual airline company will be USD 300 million.

(d) Borrowers can raise ECB from internationally recognized sources, such as (i) international banks, (ii) international capital markets, (iii) multilateral financial institutions (such as IFC, ADB, CDC, etc.) / regional financial institutions and Government owned development financial institutions, (iv) export credit agencies, (v) suppliers of equipments, (vi) foreign collaborators and (vii) foreign equity holders [other than erstwhile Overseas Corporate Bodies (OCBs)], etc.

Under the scheme, civil aviation sector could raise ECB for working capital for minimum average period of 3 years or more. The repayment is permitted only out of the foreign exchange earnings of the borrowing company i.e. the foreign exchange for repayment of such ECB is not accessible from the domestic foreign exchange market.